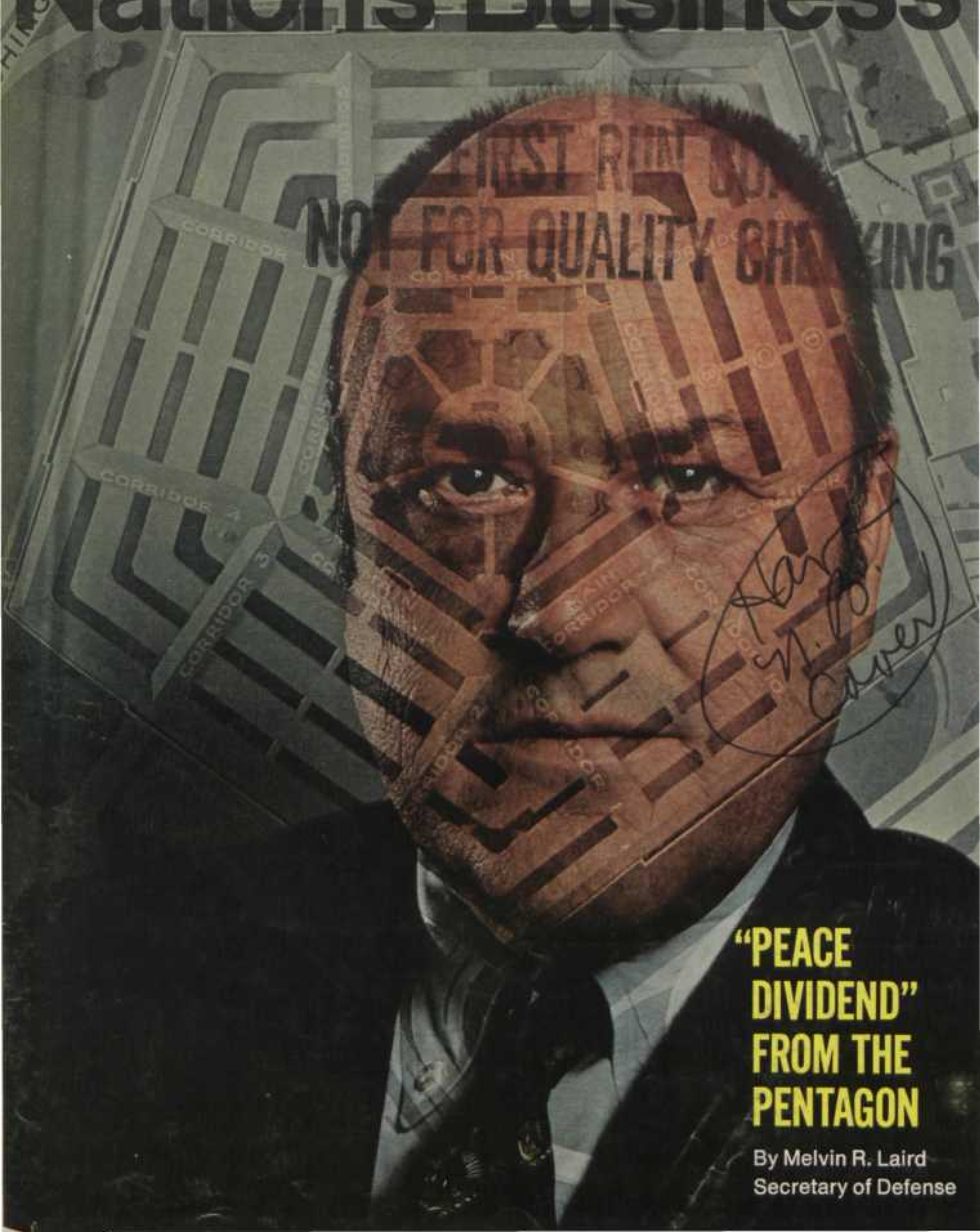
A USEFUL LOOK AHEAD FROM WASHINGTON

OCTOBER 1970

Nation's Business



"PEACE DIVIDEND" FROM THE PENTAGON

By Melvin R. Laird
Secretary of Defense

PICTURE THIS BIC DEAL!

This Agfa Camera Outfit Is Yours When You Buy Bic Pre-pack AG-3672 From Your Office Supplier

It really is sensational! This fabulous Agfamatic Camera outfit is yours when you buy Bic office **PRE-PACK AG-3672** containing 13 dozen M-19 medium point pens, and 5 dozen AF-49 accountant fine point pens. Available in blue, black, red, or assorted-color packs.

And this is no ordinary camera. The Agfamatic has a precision-made lens, an automatic flashcube rotator, and an exclusive built-in device that ejects the cartridge. The outfit also contains four flashcubes, batteries, a wriststrap, a drop-in 126 cartridge of Agfa color film, and a lined carrying case. Handsomely gift packaged.

You've had beautiful Bic deals before. But this one is as pretty as a picture. So hurry! Offer available only while dealer stocks of pre-pack AG-3672 last.

BIC

Not available in Canada

Nation's Business

Cover photograph by Yoichi Okamoto

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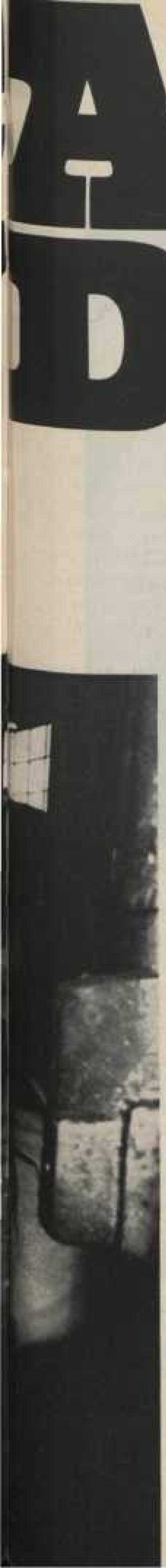
PUBLISHED IN WASHINGTON, D. C., BY THE CHAMBER OF COMMERCE OF THE UNITED STATES, THE NATIONAL FEDERATION OF ORGANIZATIONS REPRESENTING MORE THAN FIVE MILLION BUSINESS AND PROFESSIONAL PEOPLE AND COMPANIES.

Chart - "Where U.S. Goods Are Made"

Louviere Reg - "What's that you said?" - Noise

AMERIC
THE BLIN

**Wake up, America.
Poor lighting conditions in many factories are slowing down workers and damaging profits.**



Light is not a luxury. So don't treat it as one.

Savings of only 1% in production costs will often pay for a modern 100-footcandle lighting system.

If someone walked into your factory and offered to improve the work output of each of your employees for a mere 3¢ per man-hour—would you listen?

Because 3¢ is all it normally takes to give a worker 100 footcandles of light—and yet far too many factories fail to give their workers even the minimum amount of light required for critical seeing tasks.

The haves versus the have-nots.

In factory after factory, it has been shown that better lighting brings improvements in productivity. And a dramatic drop in accidents. In a machine shop that was brought up to modern lighting standards, production was increased by 16%. In a small-parts assembly plant, the installation of new lighting increased production up to 28%. In each case the cost was a small fraction of the production gain.

How to buy a lamp.

When you buy a GE lamp, not only are you buying light, but you're buying low operating costs, low maintenance and dependable life.

Take our Lucalox® lamp. One ten-inch lamp gives the light of fifteen four-foot fluorescents. That's impressive—but the savings are what really count. First, you need fewer lamps to do the job. Down go installation and maintenance costs. In an average 32,000-square-foot factory you can count on total lighting costs of a mere dollar an hour. Peanuts.

The GE Lucalox lamp. The end of sad-looking factories.

GE Power Groove fluorescents boosted the light in this textile factory. And production shot up 15%.

Or consider our De Luxe White Mercury. It has all the cost savings of a mercury lamp—plus good looks. Its excellent color takes the hard edge off a tough factory job.

And if you have 1500 MA fluorescent fixtures, then we have the world's most powerful fluorescent to go in them.

The Power Groove.® Makes eight feet stretch to nine feet of light. And we have efficiency figures to prove it.

You have the problem.
We have the light.
Let's get together soon.

The GE Power Groove, 8 feet long—9 feet of light.
The bright and cheery De Luxe White Mercury lamp.

General Electric—so America can see.

GENERAL ELECTRIC

Want to keep your close corporation closed?

We can help.

The loss of a major stockholder in a close corporation can open a Pandora's Box.

Small boy heirs are not so bad.

It's the grown-up kind who can get in your hair.

Grown-ups who may think they can run the business better than the rest of the directors.

You can prevent outsiders from becoming insiders with the help of New York Life business life insurance.

Backing a buy-sell agreement, it can guarantee surviving stockholders the cash to acquire the shares that were owned by the deceased.

Keep your boardroom a pleasant place to work in.

Give your New York Life Agent a call.

NEW YORK LIFE

For a happier life

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Life, Group and Health Insurance,
Annuities, Pension Plans.
125 years of service

MEMO FROM THE EDITOR

Nation's Business
Published by the
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Are you ready to vote next month?

When the Presidency isn't at stake, sometimes the hoopla and excitement aren't as great. But our votes for Senator, Congressman and state and local officials can be just as important as those we cast for President.

At the same time, we don't always get as much opportunity to know about the people who are running for these jobs—or sometimes we don't take as much advantage of the opportunity, anyway.

In an effort to be helpful to you, we've included several features in this issue which relate directly to the election.

On page 104 you'll find the ratings of incumbents who are seeking re-election in what the experts think will be tight races. We're not attempting to rate your Congressmen ourselves, but are reporting for your information how they are rated by three organizations with varying points of view. One is the generally conservative Americans for Constitutional Action. Another is the generally liberal Americans for Democratic Action and the other is the AFL-CIO's political arm, COPE.

You can compare how these three rate your Congressman or Senator and make up your own mind.

And if your Senator or Congressman isn't in what the experts consider a "tight race," but you'd still like to know how these organizations rate him, drop a quick note to my secretary, Barbara Ball, and we'll get you an answer.

• • •

Another part of your Congressman's record you might want to look at is his position on government spending. Congress is adding billions to the proposed budget this year (see editorial on page 108) and has passed several spending bills over the President's veto. Some Congressmen voted consistently to override. We have a list of those, too, if you want one.

• • •

Incidentally, have you ever wondered how much one billion dollars would really amount to? I picked up an interesting explanation the other day from TWA's *Ambassador* magazine:

"How much is one billion dollars . . . really? If a company started in business back in 1 A.D. with a billion dollars in capital, and lost $1,000 every day since, it still would be in business today . . . and would not go broke for 800 years. That's one billion dollars!"

• • •

Something I didn't realize is that an estimated two million businessmen didn't vote in the last election because they were away from home that day. Two million votes can make a lot of difference in any election. So, it's worthwhile to know the rules under which you can vote, even if you're not in town.

On page 50 you'll find the requirements by state for absentee balloting. In most cases, it's still not too late to be sure you'll be able to register your vote.

• • •

Of course, there are a few businessmen who don't take any interest in politics. Some feel it's "dirty." Some feel their businesses may be hurt if they become active. Most others could tell them that it really isn't so.

For those who are still reluctant, here's a word of advice given several years ago by a Freedoms Foundation award winner, Willard M. Wilson:

"If you are really too busy to take an interest in government, if you really feel that getting mixed up in politics is beneath your dignity or maybe bad for business . . . then at least take the time to teach your children one thing:

"Teach them how to count in rubles—they'll need to, with the kind of inheritance you are leaving them."

Jack Wooldridge

LETTERS | HOW NOT TO PURCHASE

• "Birth of a Salesman" [August] is a great article and I have instructed all of my people to read it.

I will, however, have to demand equal time in regard to E. Philip Kron's statements on "How Not to Sell," with the following reflections.

How Not to Purchase.

The kind of purchasing agents I hate to see when I walk in the door are these:

1. The P.A. who asserts, "We buy from the Jones Co. because they are customers of ours."

2. The P.A. who says, "If your product is so good, why aren't our competitors using it?"

3. The P.A. who doesn't give good service—who promises a decision or an order by a certain date and doesn't honor that promise.

4. The procrastinator, or "clam," who won't give the salesman the information requested so the salesman can try to help him.

5. The gabby guy who wastes the salesman's time by "shooting the bull."

JAMES E. JOHNSTON
Vice President, Marketing
Sun Sierra Business Systems, Inc.
Sacramento, Calif.

Support for colleges

• The Foundation for Independent Colleges, Inc., of Pennsylvania, of which I am a trustee, forwarded the August "Sound Off" questionnaire to my office while I was in New Hampshire on vacation, so I have just received it. I think it is very important for businessmen to support colleges, so I am casting my ballot in the affirmative and offering a few comments.

Contributing to higher education is a vital investment for business. Industry's future largely depends upon the educated and trained people that our colleges and universities develop. As educational costs continue to mount, business support of higher education becomes increasingly essential.

I feel that one of the more important methods of contribution is through the state associations, which allows the business community to support a number of colleges and universities with one gift.

Business support of higher education, in my opinion, is one of the best investments we can make in the future of our nation.

M. J. WARNOCK
Chairman of the Board
Armstrong Cork Co.
Lancaster, Pa.

Texas Gulf responds

• NATION'S BUSINESS' recent article about the SEC, entitled "The Investor's Silent Partner," contained a substantial number of inaccurate references to Texas Gulf Sulphur Co., its employees, and the case of *SEC* v. *Texas Gulf Sulphur Co., et al.* which arose from a spectacular mineral discovery near Timmins, Ontario, in 1964. As public relations consultant to Texas Gulf Sulphur Co. I have followed closely that well publicized litigation and it is evident that the author of your article had not studied the judicial opinions which he attempted to describe.

The article correctly stated that the case has made headlines, for it is the first instance in recorded judicial history that has characterized as illegal the conduct of employees in purchasing stock of their own company through a stock exchange, and it is the first case in which it has ever been found (or even charged) that a company acted illegally in issuing a press release for the sole purpose of meeting false and exaggerated rumors. But the order of the federal court is not "conclusive" or "the climax" of this litigation, as the article states, since appeals are under way and the litigation remains in progress.

As is apparent upon study of the case, the issues are of the utmost importance to the business community, and ultimate resolution by the Supreme Court of these issues is imperative.

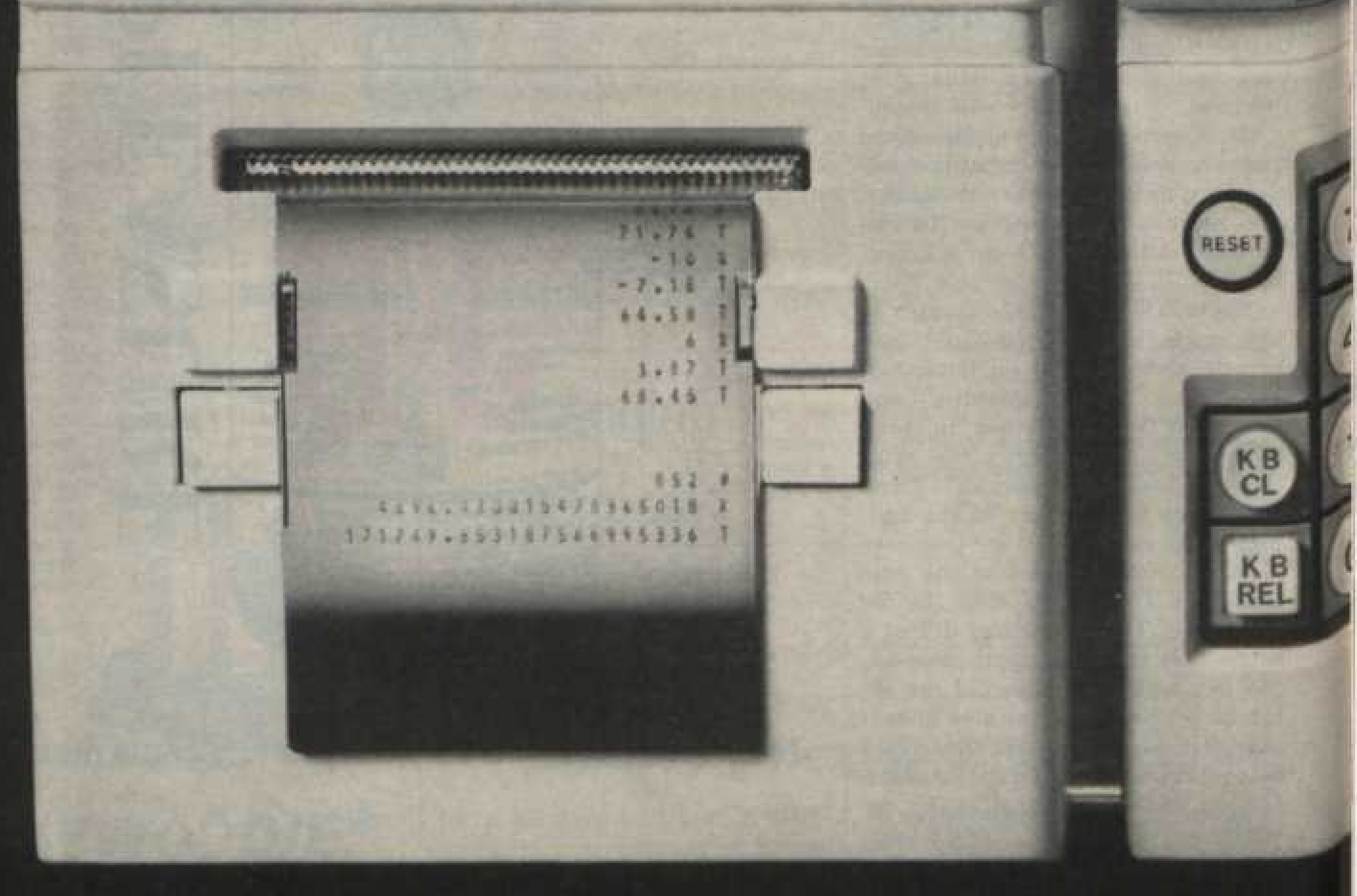
The article states that a number of key employees of Texas Gulf "had private knowledge of [a] bonanza," knew of a "hidden treasure," and purchased Texas Gulf stock "in anticipation of a sharp price rise after the big news was released." These statements are contrary to the findings of the courts.

At the time of most of the purchases of Texas Gulf stock by its employees, Texas Gulf had drilled a single hole in a Canadian prospect, 655 feet in length. This did not establish a "bonanza," or give knowledge of it. Judge Bonsal of the United States District Court for the Southern District of New York, after full development of the facts during a four-

The new Logos 270: It looks different because it is.

Olivetti's new Logos 270 electronic printing calculator combines all the advantages of printed tape with the speed and compactness of electronic display machines.

Printed tape provides a record of every entry, operation and result. Unlike display calculators, results can be verified by simply



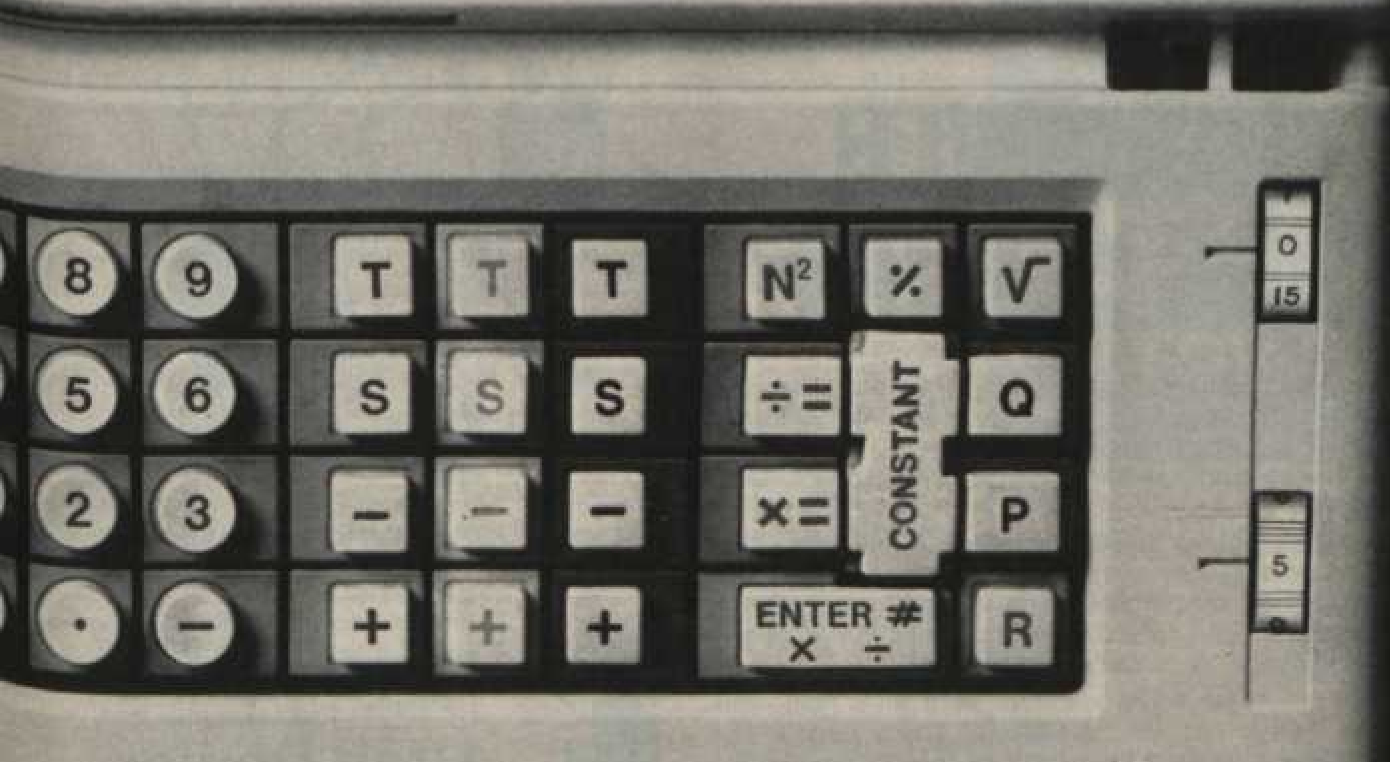
checking the input on the tape. If the input is correct, so is the answer. Calculations are performed in milliseconds and are recorded by a drum serial printer designed for a $4000 computer. Integrated circuits provide electronic speed and cut the size of the Logos 270 to a compact 17¾" x 11⅞" x 4¾".

Yet despite its size, the Logos 270 provides a greater one-line capacity than any other calculator. 22 digits plus decimal and sign. And many operations are totally automatic. Like an exclusive, one-key percentage mark-up or mark-down. Squaring, square root and 15-place decimal control. And simultaneous accumulation of up to three results with automatic round-off and recall.

As different as the Logos 270 is, there is one other electronic printing calculator that does resemble it—our Logos 250. It's virtually the same machine, with a few less features for a bit less money (under $1000).

For more information about the Logos family of calculators, write: Olivetti Corporation of America, One Park Avenue, New York, New York 10016.

olivetti



week trial, held that while the drill core was unusually good, it did not establish that a commercial ore body had been found or the probability that one would be developed. In his words:

"The most that can be said of the individual defendants' knowledge after the drilling of [the hole] is that they had 'hopes, perhaps with some reason,' that it would lead to a mine.... The results . . . were too remote when considered in the light of the size of TGS, the scope of its activities, and the number of its outstanding shares, to have had any significant impact on the market, *i.e.*, to be deemed material."

This finding of the trial court went undisturbed by the Court of Appeals. But what the Court of Appeals did was to adopt a new definition of "materiality." Prior to that decision material facts had been defined by the SEC as "those matters as to which *an average prudent investor* ought reasonably to be informed."

Departing from all previous definitions of that term, the Court of Appeals held that facts as to the single hole were "material" if they "may" affect the desires of "speculators and chartists" to buy, sell or hold securities or "might" have an effect on the market price. Obviously almost any news "may" be of interest to a speculator or "might" affect the market price of a security! The appellate court did not hold that these defendants knew of a "bonanza" or that they had any "anticipation of a sharp price rise" but only that the inconclusive facts known to them "may" have been important to a speculator, whether or not of interest to an average prudent investor.

The SEC relied on the prudent investor test prior to losing in the trial court. On appeal, it claimed that information is material "merely because it would be of interest to the speculator on Bay Street or Wall Street." The Court of Appeals concurred and found that the drilling information, even if not of interest to prudent investors, might be of interest to speculators. The defendants take the position that the SEC had no power to rewrite its own definition of "materiality," and thus change its own rule, after its defeat in the trial court.

The unfairness of the article's characterization of defendants is exemplified by Judge Bonsal's decision after the Court of Appeals spoke. He pointed out that the test applied by the Court of Appeals represented a "considerable extension," and that "*these defendants could not have anticipated this extension at the time*" *of their purchases of Texas Gulf stock.*

Because of the unfairness of retroactively applying the new law, the court did not enjoin most of the defendants. But your readers should be apprised that under the Court of Appeals ruling, which if not reversed will be applied in future cases, it would appear that company personnel may not safely buy shares of their company if a speculator might

be interested in the fact that an undisclosed project is under development which may or may not reach fruition.

The article did not disclose the courts' holdings that the nondisclosure of the information was "the usual practice in the mining industry," and was lawful and essential for legitimate corporate objectives. The SEC never charged that there had been a "fraud on the market," and it is obvious that persons selling TGS stock would have acted the same if the individual defendants had purchased no shares. Their purchases did not affect the market or act as a fraud upon it.

Actually, the SEC charged that the defendants' conduct had operated *as a fraud or deceit on the stockholders of TGS*. Later, however, it offered no evidence of any elements of fraud or deceit, contending that the defendants' purchases had nevertheless violated the "antifraud" law because of their "inherent unfairness."

But the antifraud law is directed against the use of (as Congress put it) "any manipulative or deceptive device or contrivance." The SEC seeks to broaden the language so as to forbid "unfairness," as well as manipulative or deceptive devices or contrivances. The position of the defendants is that, in accordance with the plainly stated Congressional language, there is no violation of the antifraud law, absent some manipulative or deceptive device or contrivance.

The article misdescribes the principle (which the SEC seeks to impose) by failing to state it would prohibit trading by employees even where (as found in the present case) the nondisclosure of information by the corporate employer is lawful and essential. The insider trading did not adversely affect in any way either the market or a single investor. If the SEC does have power to impose the new principle, it has had the same power since the Exchange Act was enacted in 1934. The four defendants (three of whom are citizens and residents of Canada) contend that, if the SEC has concluded (after three decades) to adopt the new principle, it should have given fair warning before attempt at enforcement. No such warning was in fact given.

It is correct that the District Court ordered payments into court of approximately $148,000 by four defendants. However, $48,405 represented assumed profits by acquaintances of one defendant who never disclosed the drilling results to these acquaintances, but who recommended the purchase of Texas Gulf stock, as he had done long before the hole was drilled. The SEC seeks to hold this defendant (a citizen and resident of Canada) for damages in the amount of $48,405 as well as for his own profits (computed at $41,795). Never before has such a court order been entered, and this aspect of the case is also on appeal.

The suggestion that any sums will be held "available to meet claims" of former shareholders is sheer conjecture. They can be used for that purpose if such claims are ever established, but in the only suit based on nondisclosure and thus far tried, the complaint of the former Texas Gulf shareowner was dismissed. The court said that if the shareowner was uninformed, this was the result of lawful and necessary corporate silence. Whether or not an insider purchased stock was found to be irrelevant.

In its complaint and pretrial speeches, articles and other publicity about Texas Gulf, the SEC did say it was seeking to collect profits for each seller who "sold to" and "dealt directly with" an insider. However, at the trial itself, the SEC never produced evidence of a single such seller. Indeed, with anonymous trading through an exchange, the notion of "dealing directly with" anyone is obviously fictional.

The article is in error in suggesting there was a "discrepancy" or something "contradictory" between Texas Gulf's April 12, 1964, press release and its release of April 16, 1964. The first release was made at a time when 2,804 feet of drilling had been completed. The second release was based on 5,257 feet, *i.e.*, almost twice as much. The additional drilling gave

continued on page 100

EXECUTIVE TRENDS

BY JOHN COSTELLO
Associate Editor

- Best buys in salesmen
- How's your corporate IQ?
- Muddling middle managers
- Reading faster and better

Save billions on salesmen

"It's easy," one expert says.

"Companies simply have to select their salesmen wisely."

American businesses will spend $6.5 billion in the next 12 months to hire and train salespeople, predicts Henry F. Astwood, director, Sales Manpower Foundation.

"That's what it will cost to add 1.08 million to their sales forces," he says.

"Sales executives say they'll need that many—a 23 per cent increase in the nation's 4.6 million sales force—to meet their sales goals.

"And our SMF surveys show 49.8 per cent of them will be fired—or drop out—before two years are up.

"That's a waste of $3.2 billion spent to hire and train them—plus other billions lost on salaries and fumbled orders. Using the right criteria to select them can cut the failure rate in half."

What should you look for in a salesman?

"These things," Mr. Astwood says. "Proven ability to increase volume, to find new markets, to organize his efforts for maximum profit—and to be a self-starter."

How about judging a man who has no track record?

A good salesman needs two basic qualities, say David Mayer and Herbert M. Greenberg, principal officers of Marketing Survey and Research Corp.

One, they say, is empathy—the ability to put himself in the other fellow's shoes.

The other "must" quality, they say, is a special kind of ego drive—he must feel he has to make the sale, not just for money but to fulfill a personal need. Men like this aren't as rare as we think, they argue.

Even among butchers, coal miners, steelworkers or the unemployed, perhaps one in 10 have the ability to be top sales producers, they say, and at least one in five would rate better than average.

What's your firm really worth?

"Book value's not the yardstick," one authority says. "It's your corporate IQ."

Unfortunately, adds Murray Hillman, managing director, Strategy Workshop Division, Interpublic Group of Companies, "there are no corporate IQ tests to give us the exact measure we seek.

"But there are some solid clues."

Here are some he suggests:

1. Does your company have the ability to attract, hold and motivate idea generators?

2. Does it provide an environment which encourages idea generation at all levels?

3. Does it plan for skill obsolescence caused by our swiftly changing technology?

4. Does it have a plan for corporate and key executive renewal tailored to its needs?

5. What's its track record on new products—not so much on their success or failure, but on the inventiveness and character of those launched?

"Ideas are the basic source of wealth," this advertising agency executive says.

"If your company doesn't have them, it's poor—not rich."

Are middle managers useless?

Many are, one critic claims.

Especially if they draw big salaries, do little work, contribute little to the company and suppress and stifle those

who do. Many middle managers—often with the title of vice president—fall into this category, *Interpersonal* management letter claims.

Too many managers regard their elevation to the executive suite as a "luxurious form of early retirement," it says. "They relish their expense accounts, travel, long lunches, innumerable meetings, conventions and seminars. But they give the company very little in return."

Here's what they should be doing, it contends: Select, train, organize, inspire, control and compensate subordinates.

Invariably they specialize in one or two of these fundamentals and neglect the rest, it says. What should you do about them?

"Give 'em the ax," it says.

"Most organizations find the most easily disposable fat is around the middle," it adds. "You need a man at the head to make the final decisions. And the legs are a must, since that's where the supervisors and rank and file are doing something to meet production standards.

"It's the midsection where the excess pounds may well be shed."

"Work the pants off him"

That's the way to treat the high-salaried, recent college grad.

Give him the heaviest management load he can handle, says Edward N. Hay and Associates. And as soon as he outgrows his first job, move him to a tougher one.

"The nation is short of good managers, and gradual learning has given way to go-go," says this management consultant firm. "Getting your feet wet is out; sink or swim is in."

Veteran employees often resent the high pay newcomers drag down. It may be close to their own. But that's the trend today—a narrower income gap between junior executive and his senior, the firm finds.

"The low end of the salary spectrum is rising far faster than the middle and upper ranges," it adds. "Thus, the high-priced college graduate is becoming the rule, not the exception."

What's the solution?

Hay and Associates suggests these:

- Bring the B.A. or M.B.A. along as quickly as possible, so his job matches his pay.
- Try hiring men who've been out of school a while. You can base their pay on their work record—instead of a college degree.
- Focus on those who aren't at the top of their class, and demand top pay. Some B students may prove world-beaters.

Time consuming and costly

Bogged down by slow reading habits?

Most executives are, one authority says. They plod along at 240 to 280 words a minute.

Reading takes two to three hours of their busy day, recent studies show. With training, they could read nearly five times faster, Evelyn Wood Reading Dynamics says.

"Worse still," the speed reading firm claims, "they retain only 75 per cent of what they read. And in a few days, they forget most of that."

With training, it says, executives can read 1,200 words a minute—and retain more.

Here's how to read faster, it says:

- Read groups of words, or complete thoughts, not a word at a time.
- Don't reread. The average reader looks back 30 to 45 times on a single page of a book.
- Avoid inner speech—saying words to yourself as your eye hits them. This slows your pace as much as a third.

Slow reading's an expensive habit, the firm adds.

"An executive in the $25,000-a-year bracket wastes $14 an hour with poor reading habits," it estimates.

"He and his $125-a-week slow-reading secretary cost the corporation $4,250 annually."

What it takes to lure him away

Not much, if another job's more interesting.

In fact, most executives making

EXECUTIVE TRENDS

continued

$12,000 to $18,000 a year would switch for an extra $100 a month—or less.

That's what a recent study by pay specialists at System Development Corp., Santa Monica, Calif., shows. The results were reported in American Management Association's *Compensation Review*.

But it's harder to woo him away, if the job he has and the one he's offered are comparable.

Then, the survey shows, it takes over $100 to $200 a month more to interest him.

What does this prove?

"Simply that money's not an important factor in an executive's decision to switch jobs," says Jay R. Schuster, SDC's manager, compensation and personnel planning.

"At least, if the other position's more satisfying personally.

"To get and keep good men, interesting work may rank higher than fatter pay checks."

Every cloud has a silver lining

That's what one company discovered.

The firm, a maker of abrasives, lost a big $30,000 order.

"We must be doing something wrong," it concluded. So it went to the Small Business Administration for help. One of SBA's volunteer troubleshooters—an aerospace executive—came to the firm's rescue.

He analyzed its operations, then helped it revamp its pricing and marketing methods. Now, instead of singing the blues, the company's warbling "Happy Days Are Here Again."

The rescue was performed by a member of SBA's growing Active Corps of Executives. They're successful businessmen who donate some of their time to aiding small firms in hot water.

"It's the counterpart of our Service Corps of Retired Executives," says Hilary Sandoval, Small Business Administrator.

"SCORE members are retired executives who give up part of their leisure time to help small firms solve management problems.

"We began ACE last year with 127 volunteers. Now we have more than 1,500." SBA wants it known it can use more.

If you invested $10,000 in 1950

You'd be $105,000 wealthier, the Investment Company Institute says, if you invested in mutual growth funds.

That's the average for all growth funds over the last 20 years, an Institute study shows.

Despite Wall Street's recent woes, savings put into mutual funds fared better than they would have in banks or savings and loan associations, this mutual fund spokesman claims.

But all were better than hanging on to cash.

After 20 years $10,000 in cash was worth $6,490 in actual purchase power. That's a drop of about 35 per cent.

Here are the figures from the ICI study.

None include brokerage fees or capital gains taxes. Stocks include dividends.

Savings and loan dividends are compounded.

	Jan. 1, 1950	Jan. 1, 1970	Actual Purchase Power
Growth Mutual Fund Average	$10,000	$115,859	$75,192
Growth-Income Mutual Fund Average	10,000	96,203	62,436
Dow Jones 30 Industrial Average	10,000	90,375	58,653
Balanced Mutual Fund Average	10,000	54,542	35,398
Savings and Loan Deposits	10,000	20,375	13,223
Government Savings Bonds	10,000	17,450	11,325
Savings Deposits in Commercial Banks	10,000	16,590	10,767
Cash	10,000	10,000	6,490

That's the long run.

But the short run looks different, a new Twentieth Century Fund study says.

Take the last 10 years, it suggests. You'd have done better then by buying a share of every issue listed on the New York Stock Exchange, says the study, "Mutual Funds and Other Institutional Investors."

That's not very practical for you. But, the study says, the mutual funds could spread their investments more broadly.

PANORAMA
of the nation's business

BY VERNON LOUVIERE
Associate Editor

Ret'l

Thousands Play Where Boise Cascade Works

Americans yearning for the great outdoors would do well to accept Boise Cascade Corp.'s invitation to "Be Our Guest!"

The big Idaho-based conglomerate has opened its vast forest lands—some two million acres in California, Washington, Oregon, Idaho, Minnesota and Louisiana—to visitors.

"Share our mist-shrouded redwoods, our pines and our aspen," the company urges. "Wade rushing mountain streams or placid, wild rivers. Explore chains of lakes that stretch for miles into remote woodland areas. Photograph the deer, the elk and the moose. Capture a wildflower on canvas. Watch an eagle. Hike our nature trails or climb majestic mountains."

Boise Cascade asks only that its visitors abide by fire prevention rules, respect private property and practice good outdoor housekeeping.

Many thousands of people have accepted the invitation, which, to the company, "is convincing evidence of our management philosophy that recreation and timber growing/harvesting are harmonious."

Boise Cascade's opening of timber lands to visitors leads to Audubon Society field days.

11/13/70

They can enjoy—free—more than 7,000 miles of forest roads, over 700 miles of streams and rivers, better than 150,000 acres of lakes and several miles of prime peopleless Pacific Ocean coastline.

There is something for every lover of the outdoors. Many people visit the forests simply because they like to walk in the woods. But there also are hunting, fishing, boating, water skiing, river float trips and—in the winter—skiing, snowmobiling and trapping.

Popular with the young and old are the "Skunk" trains which carried 117,000 passengers last year on a route between Willits and Ft. Bragg, Calif. At night, the trains move lumber.

In line with its philosophy of multiple use, Boise Cascade maintains nature trails, campgrounds, rest areas and picnic sites, and a bird sanctuary in western Washington. It has preserved the natural beauty of majestic waterfalls and offers scenic vistas overlooking some of the most striking wild country in America.

Business Bridges a Government Gap

Hard-pressed local and state governments are aware of Uncle Sam's multibillion-dollar grab bag of federal assistance programs but not many of them have figured out how to grope through all of the bureaucratic maze.

There are 121 federal departments and agencies administering almost 1,500 programs. It's not surprising that even the White House has trouble keeping tabs on them.

A two-year-old firm, Computer & Business Management, Inc., of Washington and Cleveland, has come up with FAIR—Federal Assistance Information Reporting—to help determine immediately what monies are available for state and local projects, who grants the funds, and how to qualify and apply for them.

FAIR is now being used by officials in West Virginia, Louisiana, Wisconsin and Alabama. Other state and local governments are considering the service. J. L. Marchbanks, CBM vice president, says:

"The monumental problems plaguing government today make it essential that administrators have total and specific information on how the billions in federal assistance programs can apply to those problems.

"Because of the vast quantity of data and its constantly changing status, it is not possible to handle this task manually."

FAIR computers contain probably the most complete file in existence on the subject—some six million individual bits of information. The computers handle questions and answers in simple English, a technological breakthrough that a few years ago was believed far in the future.

These memory banks maintain a "dictionary" in which virtually every word in every program is cross-referenced to every other word. The user can get the right answers no matter how he phrases the question.

Answers are available in seconds through a machine the size of a record player and as easy to operate as a typewriter. Information is displayed on a screen at a speed in excess of a typewritten page a minute.

continued on next page

Old Tires: A New Lure for Fish

Old tires provide a breeding area for fish, and help solve a major ecology problem.

(See) Food - Fish

A way may have been found to get rid of the 170 million automobile tires discarded each year and at the same time increase the fish population off our coasts.

The Interior Department's Bureau of Sport Fisheries and Wildlife has found that tires make excellent artificial offshore reefs which fish seek out as breeding areas.

Getting rid of old tires has become a mountainous problem, with burning taboo in many areas because of air pollution. Goodyear Tire & Rubber Co. has been looking at results of the Bureau's five-year study, and is trying to determine whether it can participate in an offshore disposal program. A company spokesman says this is the most promising use found so far for old tires.

Richard B. Stone, a government fishery biologist who has been heading up a portion of the research project at the Bureau's marine laboratory at Sandy Hook, N. J., estimates that a billion and a half discarded tires could be used along the East Coast alone.

The tires, weighted with concrete, can be sunk singly or stacked coin fashion and held together on the ocean bottom with reinforcing rods.

Because the Atlantic shelf is generally flat and sandy and does not attract the kind of marine life that fish feed on, they have to breed 15 or 20 miles and more offshore. The rubber tires, set out closer to shore, have attracted many species of fish from New York to Florida.

Mr. Stone and his staff monitored one coastal area where no fish were found for two weeks. Some tires were sunk and when divers revisited the area it looked like an "overcrowded aquarium."

The National Tire Dealers and Retreaders Association provided government researchers with thousands of discarded tires for the fisheries experiment. The federal government's Bureau of Solid Waste Management has contributed funds toward the project.

"I am confident that these shelf waters along the coast can support more fish with this new technique," says Mr. Stone. "In terms of conservation this has become all-important because the pressures for new sources of fish are expanding all the time."

A Company Thrives on a Bureaucratic By-Product

The federal government could help clean up pollution by not stamping so many documents "top secret" or "classified."

That's the word from Murray Kaye, who buys most of the government's wastepaper and sells it in turn as secondary paper fiber to such giants as Weyerhaeuser Co. and Westvaco Corp.

Mr. Kaye, president and board chairman of Capital Reclamation Corp., in Washington, has been buying this by-product of bureaucracy for almost 25 years and says business has never been so good.

Capital Reclamation carts away 800 tons of paper monthly from the Government Printing Office alone. The company deals with the full spectrum of government, with three notable exceptions—the Central Intelligence Agency, State Department and Pentagon, all of which are heavy on classified documents.

"I used to have the Pentagon contract until they switched to a new process that reduces paper to a sludge that can't be reclaimed," Mr. Kaye says. "This sludge has to be dumped somewhere, and that's contributing to pollution."

The CIA, at least, has recognized this and recently asked Mr. Kaye to recommend ways in which it can dispose of its wastepaper without further degrading the environment.

Mr. Kaye, whose company went public last year and is now building a $500,000 addition to its facilities, reports no significant differences in wastepaper output between Republican and Democratic Administrations.

"My business does pick up, however, after each Congressional or Presidential election, when tons of stationery and the like become obsolete the minute the votes are in," he says.

Capital Reclamation gets most of the wastepaper produced by the Treasury Department, except for old or improperly-printed currency which, by law, must be burned on the premises. Now Treasury, like the CIA, has asked Mr. Kaye for ideas about nonpollutant paper disposal.

Companies such as his are reclaiming some 20 per cent of the 60 million tons of paper products manufactured annually. Each ton of reclaimed paper represents about 17 mature trees.

One statistic from Mr. Kaye's enterprise should make every taxpayer cringe. He buys the government's canceled checks—1,800 tons worth in a single year.

Ever get the feeling mother is trying to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SOUND OFF TO THE EDITOR

SHOULD THE DEATH PENALTY BE ABOLISHED?

The United States' most recent execution took place in June, 1967, when a man was gassed in Colorado for murdering his wife and two children.

It could prove to be our last execution.

Many nations have abolished capital punishment. Here, it has been on the decline since 1935, when—it was the Depression's gangster era—there were 199 executions.

The death penalty has been wiped out in some states, though particularly grisly crimes have prompted a few to restore it.

Other states have cut down the number of capital offenses. In some, there's only one—murder. In others, the field is even more circumscribed.

The only offenses punishable by death in New York are murders in which the victims are policemen acting in the line of duty, or are prison guards or inmates slain by prisoners already serving life terms.

There has been no scarcity of death sentences where they're possible. But penalties have been commuted, or executions delayed by lengthy appeals.

In 1968, a five-to-four Supreme Court decision shrank the criminal's chances of paying the supreme penalty even further. It ruled out executions where people with conscientious scruples against capital punishment have been barred from juries.

And now the Court is about to hear arguments on two appeals which involve the constitutionality of procedures whereby jurors decide which defendant to put to death and which to put in prison.

So far, the Court has shied from a more basic issue: Whether executions violate the Eighth Amendment's ban on "cruel and unusual punishments." But that question has been raised in dozens of appeals which are before it.

Some 500 condemned prisoners are watching and waiting. For them, what the Court does can be a matter of life or death.

Arguments over capital punishment have gone on for decades. Some of those on the "pro" side:

- Certain crimes are so horrendous that the only fitting penalty is death.
- Without the fear of execution, many more such crimes would be committed.
- A lifetime in prison can be as harsh a punishment as the electric chair, gallows or gas chamber. And more costly for the government.

And on the other side:

- Executions are cruel; they stem from barbaric desires for vengeance and make killers out of law-abiding citizens.
- Studies have shown no marked effect on murder rates in areas where capital punishment has been abolished, and it can hardly be much of a crime deterrent elsewhere, now that it's so rare.
- Amends may be made if an innocent man is in prison, but not if he's in the grave.

The Administration is known to favor keeping capital punishment. Former Attorney General Ramsey Clark has said Congress should wipe it out.

What do you think? Should the death penalty be abolished?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should the death penalty be abolished? ☐ Yes ☐ No

Comments:..

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....

....

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Name and title..........................

Company..........................

SOUND OFF RESPONSE

THE CAMPUS AND THE CAMPAIGNS

Businessmen have come in with a lopsided vote against juggling college schedules so students can join in this fall's election campaigning.

There was a hefty response to last month's "Sound Off to the Editor" question, "Should students get time off to campaign?"

Eight out of 10 of those who sent in answers said, "No." There were a number of "Yes, buts" and more than one reply in 10 was a definite "Yes."

Most No-voters contend that students are in college for an education, and shouldn't be given special privileges *à la* the so-called Princeton Plan.

K. W. Thompson of Grand Rapids, Mich., a state university trustee, says: "No; again a case of the minority controlling the majority. Student leaders tell us they estimate 25 per cent participation. Should the other 75 per cent be denied the right to attend classes? No! Political behavior today is weakening our educational processes. The two do not mix, in my opinion."

Along the same line, George B. Pichel, chief geologist of the Union Oil Co. of California, Los Angeles, argues: "This is not the role of the university. If students feel that strongly, they should campaign on their own free time as most of us do."

James K. McCracken, a partner in Walter Leaman Co., writes from Washington, D. C.: "Campaigning takes effort and time from the normal activities of a person who is a volunteer. When you give students time off it is unfair to all those other citizens who sacrifice to campaign."

"Let us rephrase the question," says Alain Vannetzel, marketing international coordinator, American Can Co., Greenwich, Conn. "Should everyone who has a job get time off to campaign and still be paid? I am sure most will say 'No.' It is time to treat college students like adults and citizens—not kids. This means no special treatment."

"Why should students be considered a special group?" asks F. W. Smith, director of corporate purchasing, Hoerner Waldorf Corp., St. Paul, Minn. "On this basis, then industry should give employees equal time off of their jobs to campaign."

Stanley G. Stephens, president of Community TV, Inc., Havre, Mont., and a member of the State Senate, says: "There is no more logic to establishing campaign vacations for students than there is to doing so for other segments of the electorate. Closing down schools, or the country, for two weeks so we can all go off campaigning is idiotic. Few would participate anyway."

Says James A. Dippold, president and editor of the St. Marys, Pa., *Daily Press*, "The idea is not too bad, but it is the reaction that will follow that scares me. Somebody has to work sometime."

"Rank discrimination," is the opinion of Robert C. Marshall, owner of Television Equipment Co., West Salem, Ill. "Why stop with college students?" he asks, then goes on, tongue-somewhat-in-cheek, to wonder about public school students. "And how can we forget the kindergartners if inexperience and youthful enthusiasm are to be qualifications for those favored with time off?"

"Maybe we should all contemplate 'goofing off' for two weeks in early November," says Warren L. Ulrich, accounting manager of Standard Brands, Inc., Wilkes-Barre, Pa.

Many readers express continuing dismay at college demonstrations.

Writes James May, vice president of Wagner Piping Corp., Richmond, Ind.: "If college administrators, faculty and students don't get back to demanding discipline and providing a suitable environment for education, I think we should give the whole crowd a permanent time off."

Like many voting "No," those who qualify their votes express worry that the nonactivist student isn't receiving consideration. Irwin R. Rose, owner of Irwin R. Rose & Co., Indianapolis, Ind., writes: "Schools should not close, other students be penalized, school employees be put on leave or anything else done to facilitate a large group of captive, ready-made campaigners. . . ."

He urges requiring those students taking time off to make up all work, take all exams and be graded like those students who remain in class. Along with D. C. Masten, division engineer of the Otter Tail Power Co., Fergus Falls, Minn., he would dock the pay of faculty members who take off.

On the other side, Joe Bannon, chief engineer of the Manta Vin-Cor Steel Corp., Chicago, Ill., writes: "Unless Congress and business at present have a function in establishing the school's curriculum, what right can they take in voting 'Yes' or 'No' on the Princeton Plan? This is an individual school program."

Stella Bradshaw, owner of Bradshaw Hardware Co., Crisfield, Md., says: "I think all colleges should follow Princeton's example to show the youth that we are willing to give them a voice in the nation's business."

"Students should be encouraged to participate in the democratic process," says J. V. White, vice president and general manager of The Credit Bureau, Inc., of Atlanta, Ga. "Those who object to the manner in which a small number of students have been protesting seem to be the very ones to object to the 'campus recess.' The change in college schedule, vacation plans, etc., is a small price to pay for the advantage of participating in the body politic."

But John E. Frost, exploration manager, minerals department, Humble Oil and Refining Co., Houston, Texas, takes a different view:

"By studying the universities of a number of countries, we can observe how university-condoned political activities have stifled objectivity in learning, produced anarchy on the campuses, and in general caused a very substantial reduction in the quality of education."

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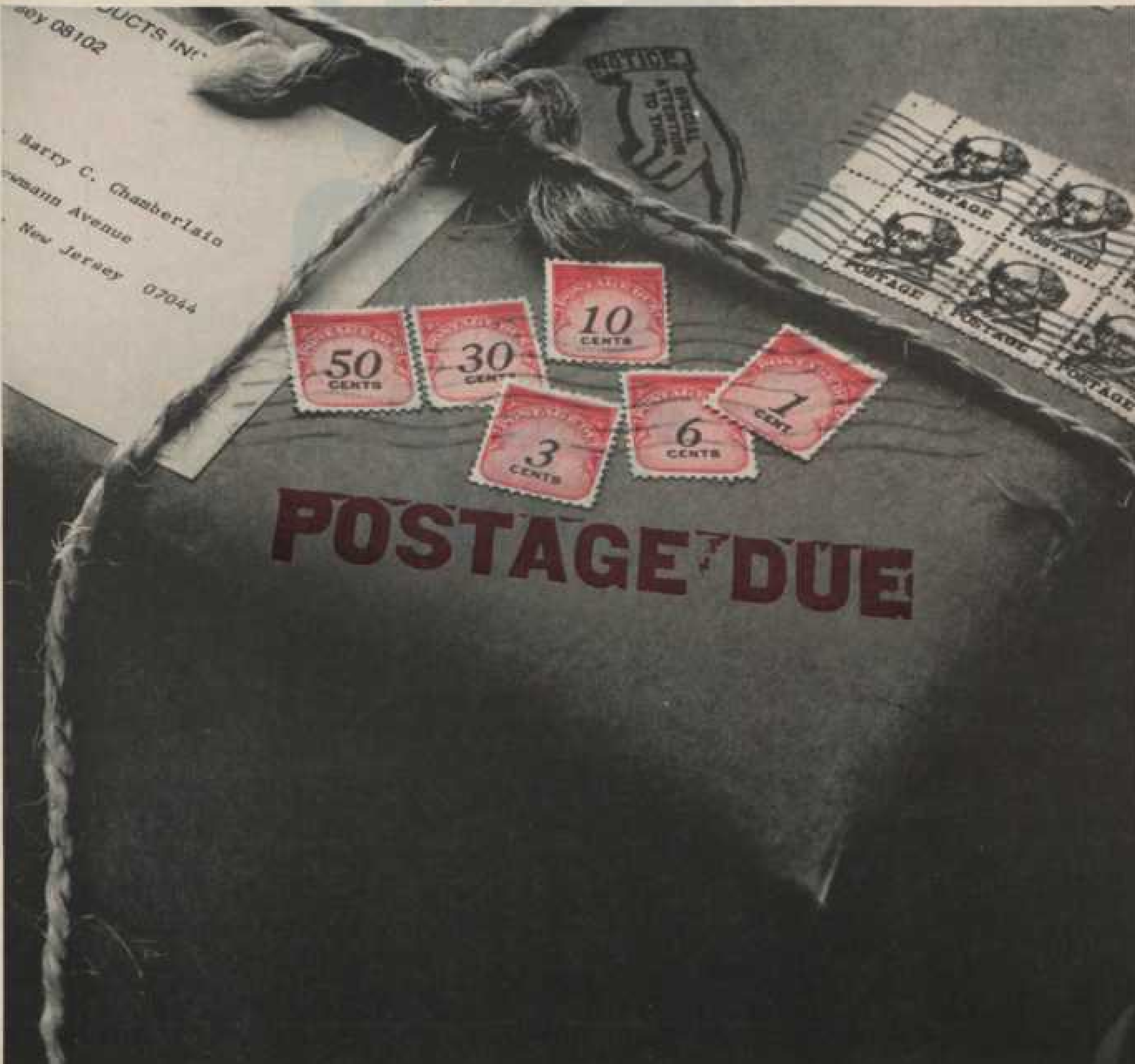

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3M BUSINESS PRODUCTS CENTERS

Where's the Money Coming From?

Unless there's a change in Washington's spending policies, we may be hit with new taxes; the Administration is considering some now

Imagine a businessman whose revenues are falling but who keeps increasing his costs voluntarily, going further and further into debt to fill the gap.

He'd be in sad shape, wouldn't he?

But that, of course, is about the way the federal government continues to run its financial affairs.

Despite recurring pledges of spending restraints and budget surpluses, Washington's fiscal policies are heading it inexorably toward a grim choice for the next fiscal year: A major tax increase or big deficits that can only mean more inflation.

If the Nixon Administration must make that choice, it is generally believed it would prefer additional taxes so it could balance the budget.

There's been talk that the Administration might ask Congress to defer the individual income tax cuts included in the Tax Reform Act of 1969 and scheduled to take effect gradually over the next few years.

But the President's fiscal advisers see little realistic prospect that Congress would undo tax relief measures adopted with great fanfare just as an election year was about to begin.

The thinking of Administration fiscal planners appears to be centering instead on a "value added" tax—a levy applied to goods on the basis of value added at each stage of production—if new revenue sources must be sought.

Special taxes to support antipollution programs also will be considered. "There will be more taxes in that field, but no one knows at this point what they will be or how they will be applied," a Treasury Department official told NATION'S BUSINESS.

What's up now

New taxes requested in the fiscal '72 budget President Nixon sends to Congress next February would be in addition to revenue proposals now pending in connection with this fiscal year.

The President is asking for a total of $3.7 billion through a new tax on lead additives gasoline, acceleration of payments due on estate and gift taxes and extension of excise taxes on automobiles and telephone service.

(The estate-gift proposal is just a matter of payment dates. But the next Congress is also expected to see renewed proposals by some legislators for major changes in estate and gift taxes, including taxing as capital gains the appreciation of assets in an estate during the owner's lifetime, and taxing of estates and gifts at the same rates.)

Prospects for passage of the tax on lead additives, which would bring in $1.5 billion, are considered uncertain, though the rationale behind it is that it will encourage motorists to switch to unleaded gas, thereby reducing air pollution. (The tax would be $4.25 per pound of additives, which would raise retail gasoline prices two to three cents a gallon.)

Chances for the estate and gift tax acceleration, and for the auto and phone tax extensions, are considered better.

The Treasury Department's position is that if Congress turns down any of the proposals, the members will have to come up with alternative new sources of income. It says the President will make no further tax recommendations for this fiscal year.

"I don't think Congress will leave us high and dry," said one top Administration official.

Congressional approval of the gasoline, excise and estate and gift tax proposals is assumed in the Administration's public position that there will be a small deficit—around $2 billion—in this fiscal year.

Either a speedup of the business recovery, which would mean more corporate and personal income taxes, or stiff spending curbs "will put us in reasonably good shape," an Administration fiscal expert commented.

But other officials interviewed by NATION'S BUSINESS in a survey of the current condition of federal

finances were more pessimistic, particularly in view of developments thus far.

Forecast turns sour

Mr. Nixon estimated there would be a surplus of $1.3 billion when he submitted a $200.7 billion budget to Congress last February. Signs of a surplus have long since vanished.

Among the problems have been inflation, a shortfall in collections because of the business slowdown, budget revisions by the Administration, and big spending increases voted by Congress beyond the President's requests.

At the present pace of spending and revenue collections, according to an estimate of the staff of Congress' Joint Committee on Reduction of Federal Expenditures, the deficit for this fiscal year might reach $10 billion or $15 billion.

Politics enters the picture. Rep. George Mahon (D.-Tex.), chairman of both the Joint Committee on Federal Expenditures and the House Appropriations Committee, said he and other leaders of the economy bloc on Capitol Hill are not faring so well.

"Congress is not doing as good a job on holding the line as it did last year," he said. "An election year creates a different atmosphere in dealing with social-type programs."

(This point was underscored when the only Senators voting to uphold President Nixon's veto of an education money bill which had been increased substantially by Congress were 16 Republicans not up for election this year.)

Congressman Mahon, no optimist about bringing the budget within manageable limits in the near future, said: "Social programs have skyrocketed. Everybody says the place to start cutting is in the unpopular places but there are no unpopular places."

While deep cuts have been made in defense and some other areas, he pointed out, the savings have been wiped out by increases often added after the appropriation committees have acted.

Seated at a long conference table at which he presides over multibillion dollar decisions on spending, he noted that the federal debt has been going up at a rate of $10 billion a year. Its legal limit was raised by that amount to $395 billion only recently, he pointed out, and it might well have to be increased beyond the $400 billion level before this fiscal year ends.

The "big spenders"

As Election Day approached and federal finances heated up as a campaign issue, the President told a news conference: "When the American people learn that the big spenders in Congress are primarily responsible for higher prices and eventually even higher taxes, I think that the American people will turn on the big spenders politically."

Mr. Nixon said later he did not plan to ask Congress for increased taxes when he submits his new budget next February.

But, aware that plans can change and that there are many imponderables involved, Treasury officials have been exploring possible sources of new revenue.

The value added tax is particularly attractive because of its enormous income potential—$3 billion to $4 billion for each per cent of the tax.

Also, imports would be subject to the levy on the basis of their worth at ports of entry. A Treasury Department official noted that a value added tax "gives countries which use it an advantage over those which do not."

U. S. goods going into European countries, for example, now may be subject to a value added tax and the final selling price raised accordingly. But goods coming into this country are not subject to the tax and can be priced more competitively with domestic output.

One factor in any consideration of the value added tax in Congress would be the business community view that it should be tied in with a reduction in the corporate tax rate.

In the tug-of-war between reduced spending or higher taxes, those involved tend to lose sight of how the whole, enormous problem came about in the first place.

All of the camel

One of the best insights into fiscal thinking in the federal government came during an exchange at a Senate Finance Committee hearing on a bill to raise the federal debt limit. Sen. Harry F. Byrd Jr. (D.-Va.) questioned Robert P. Mayo, then the budget director. Here are excerpts:

Sen. Byrd: Now, as I understand it, the initiatives, namely the new programs, in the current budget . . . will total $3 billion . . . and these same initiatives will grow to $18 billion in the next four years?

Mr. Mayo: That is our best estimate at this time. We thought it was high time, Sen. Byrd, that we not only described the nose of the camel but the entire animal.

Sen. Byrd: I think that is a very desirable thing to do and very important. . . . It does show that, in the four-year period, these new initiatives will increase, say 600 per cent, from $3 billion to $18 billion and that, of course, is a very substantial increase and of considerable interest to the taxpayer.

Mr. Mayo: Yes, sir.

Sen. Byrd: May I ask you the figure in the 1971 budget for the interest on the public debt, just in round figures?

Mr. Mayo: . . . It is now $20 billion even.

Sen. Byrd: So that in the four-year period—fiscal 1968 through fiscal 1971—the interest on the debt has increased from $14.6 billion to $20 billion . . . about 40 per cent . . . and for that $20 billion the taxpayers get no programs.

Mr. Mayo: Well, they are paying in a sense, Sen. Byrd, for programs that they wanted earlier before they could afford them.

Sen. Byrd: The wage earner is paying out in interest charges $20 billion for which he receives no precise program other than the privilege of paying the interest on the debt. Some way or another we have got to get our fiscal house in order.

Who is the housekeeper?

One roadblock to the goal set out by Sen. Byrd has been a continuing squabble between the White House and Congress over just who is responsible for putting the government's fiscal house in order.

When the staggering $25 billion deficit in 1968 finally spurred the Johnson Administration to seek a surtax to try to dampen down the

ret to P.H.

runaway inflation that was developing, Congress demanded spending cuts in return for approval of the tax. President Johnson balked, then agreed and then argued for several more months with Congress over who was responsible for specifying the budget reductions. In the meantime, inflation tightened its grip on the economy.

In submitting his $200 billion-plus budget this year, President Nixon said that 69 per cent of the amount represented "relatively uncontrollable" expenses, which the government had little choice but to meet.

Included were Social Security and other trust fund operations, farm programs, veterans' care, public welfare and Medicare, as well as appropriations to pay bills for commitments made in previous years.

Of the remaining budget areas, military spending is far and away the largest and therefore the most appealing target for those demanding that more and more money be pumped into social programs.

But the Defense Department has already absorbed the deepest cuts of any branch of government and the Administration now says more money can be squeezed out of defense only at a risk to national security.

Some members of Congress hope to avoid difficult decisions on taxes and spending by anticipating a "peace dividend" through a decline in and eventual end to Viet Nam War spending. Treasury Department officials see no such easy route to meeting budget demands.

"The peace dividend will not be enough to solve all our domestic problems" one asserted. [See " 'Peace Dividend' From the Pentagon," on page 40.]

Meantime, there is more leakage of revenues at a time when spending remains unchecked.

Tax cuts approved in the hodgepodge 1969 tax reform bill will wipe out at least $3.6 billion in revenue when they are fully effective in 1975. Some economists think the loss will be much greater.

Short shrift for thrift

And Congress not only is far from frugal; it isn't accomplishing much in the way of developing techniques to encourage frugality.

Spending ceilings have been set, only to be riddled with exemptions.

A bipartisan bloc in Congress advanced for several years, then gave up on, a proposal to have a single, consolidated appropriations bill instead of considering each spending bill separately over several months. A unified bill could be considered in the light of available revenues and priorities could be set, the idea's sponsors said.

Another plan that never got anywhere was "zero budgeting"—in which federal agencies have to justify their entire budgets from scratch each year, rather than battle just for proposed increases.

But the nonpartisan Tax Foundation, Inc., finds the answer is not really one of procedure. In a report on the failure of the various plans for better Congressional control of expenditures, it said:

"In the final analysis . . . the vital ingredient to any attempt to limit or control federal expenditures must be the existence of the 'will' to exercise the required restraint.

"If the will to apply the required budgetary disciplines does not exist, then it is likely that no special device or procedure is likely to succeed."

END

PHOTO: JACK ROSEN—PIX Hav

John C. Bogle, president, Wellington Management Co., Philadelphia, Pa., says the "mild recession" is ending. He cites rising consumer spending.

QUARTERLY OUTLOOK SURVEY

The Profit Picture Brightens

Businessmen, who correctly predicted the upturn, now see further improvements ahead

American business executives are standing pat on their pronouncements that the economic upturn is accelerating.

Distinct optimism in most of the business community is shown in 465 answers received by NATION'S BUSINESS in its thirty-sixth economic outlook survey.

Responses to a survey a year ago correctly pegged the latter half of 1970 as the period when business would begin to turn up. Executives never wavered in this belief.

With their predictions being borne out, most company chairmen, presidents, vice presidents and economic officers now see improvements in their profits next year.

One optimistic participant in the survey, for example, is Ross D. Siragusa Jr., president of Admiral Corp., Chicago, Ill., who looks for his company to "go from loss to profit" in 1971.

Mr. Siragusa is among 248 executives expecting a better return on the company dollar. Another 118 expect their profits in 1971 to remain roughly at this year's level.

Only 67 look for less profits and 32 won't venture any estimate.

John C. Bogle, president of Wellington Management Co., Philadelphia, Pa., expects a healthy 20 per cent profit rise and tells why: "We are looking for a general improvement in both stock and bond prices. Stock prices may well have overdiscounted the dimension of the recession. A modest reduction in interest rates, at the same time, would have a positive effect on bond prices."

John C. Emery Jr., president of Emery Air Freight Corp., Wilton, Conn., expects a 21 per cent profit increase while William R. Adams, president of St. Regis Paper Co., New York, looks for 25 per cent more take-home profit. Mr. Adams explains that "better volume, better prices and vigorous belt tightening" will work to his company's advantage.

Sea scene

But at Farrell Lines, Inc., also in New York, Assistant to the President Wayne H. Christensen Jr. says his company looks for a nonvarying profit level. He explains that "increased revenue will be offset by increased costs," and new Farrell vessels which are technically innovative won't be on the line until late next year.

Piper Aircraft Corp. Chairman William T. Piper Jr. expects a "decided improvement" in profits in 1971 "unless the economy takes another big dip." From his Lock Haven, Pa., office he explains: "We will be cutting our overhead and reducing our costs and we should be able to improve on our 1970 performance, which will show a small profit."

Among the optimists are R. A. Hart, chairman, Heublein, Inc., Hartford, Conn., and George S. Arneson, president and chief executive officer, Vendo Co., Kansas City, Mo., both of whom predict a 10 per cent improvement for their firms, and Leighton A. Rosenthal, president, Work Wear Corp., Cleveland, Ohio, who looks for a 5 per cent improvement.

Mr. Arneson tells why he's optimistic: "With the increased volume and expected higher prices we should do better, but we will continue to be pressed by rising costs built in contractually."

NATION'S BUSINESS posed questions on the general economy, and on specific company volume, prices, capital improvements to be made and labor costs.

Here are the questions and a breakdown on the answers:

"What do you believe will happen to the nation's economy in the next six months?"

Two hundred forty-one executives look for an upturn, 158 expect the business picture to remain the same,

John C. Emery Jr., president, Emery Air Freight Corp., Wilton, Conn., looks for the nation's economy to "remain steady at the present levels."

R. J. Foresman, president, Michigan General Corp., Detroit, expects a 6 per cent profit improvement due to "higher volume plus increased prices."

Joseph Griesedieck, president, Falstaff Brewing Corp., St. Louis, Mo., worries about the litter problem and possibility of a tax on cans and nonreturnable glass containers.

and 48 look for a downturn. Eighteen decline to answer.

"By what percentage do you expect sales or volume of your business to change in 1971 as compared with 1970?"

The great bulk of answers peg an increase in the 5 to 10 per cent range. This includes 101 executives who look for a gratifying 10 per cent upward swing. An additional 32 look for a 15 per cent increase and 24 look for a 20 per cent increase. Only a scattered few expect decreases. Fifty-nine expect the picture to remain about the same.

"By what percentage do you expect prices of your products or services to change in 1971 as compared with 1970?"

Most answers state there will be price rises in the 3 to 10 per cent range, with 5 per cent the most common figure—it is offered by 87 executives. Eighty-seven executives see their companies' prices as holding steady. Scarcely anyone expects a drop.

"By what percentage do you expect your company's spending on capital improvement to change in 1971 as compared with 1970?"

No change is anticipated by 206 of those surveyed. Twenty-two executives decline to say what their companies have in mind. The remainder are divided almost precisely in two, with half saying their firms will step up capital spending and half forecasting decreased capital spending.

"By what percentage do you expect your labor costs, including fringe benefits, to increase in 1971?"

Practically all executives look for a 5 to 10 per cent increase.

Here's a sampling of individual executives' thinking on these questions.

On the course of the nation's economy in the upcoming six months:

L. S. Munson Jr., chairman, Wilmington Trust Co., Wilmington, Del., predicts "about a 4½ per cent growth in current GNP, resulting in little or no growth in real GNP. The slowing in real GNP and higher unemployment will help to check the rate of inflation."

R. A. Weller, president, Otis Elevator Co., New York, looks for "a slow rise" during the last few weeks of the year.

Sherman Hazeltine, chairman, First National Bank of Arizona, Phoenix, says the economy is "beginning to evidence a modest upturn" which will carry over into 1971. "Among the positive factors," he writes, "are the recent expansionary moves of the Federal Reserve system, continued increases in personal income and a slowing down in the rate of inflation. The degree to which business confidence is restored will be an important factor."

John R. Kingsbery, chairman, Featherlite Corp., Austin, Texas, says there will be a "gradual strengthening over-all, but marginal companies will have increasing difficulties due to shortage of that basic commodity—money."

Emphatically disagreeing with the majority is Henry C. Goodrich, treasurer, Inland Container Corp., Indianapolis, Ind., who predicts "in real terms, a serious decline as realization comes that we are not licking inflation."

Ups and downs

On the question of their companies' sales going up or down:

W. F. May, chairman, American Can Co., New York, says sales will be up 8 per cent because of "new products, new markets and physical expansion."

Donald E. Noble, president and chief executive officer, Rubbermaid, Inc., Wooster, Ohio, thinks sales will be up 15 per cent because the econ-

The Profit Picture Brightens

continued

Sherman Hazeltine, chairman, First National Bank of Arizona, Phoenix, believes that business involvement in socioeconomic problems is a moral responsibility.

Richard H. Griebel, president, Lehigh Valley Industries, Inc., New York, predicts "some slight improvement" in the economy during the next few months.

William T. Piper Jr., chairman, Piper Aircraft Corp., Lock Haven, Pa., expects that the economy will "show continued improvement."

omy will be up, and he will have new products on the market.

R. J. Foresman, president, Michigan General Corp., Detroit, sees volume up 10 per cent due to a "return of consumer confidence, improvement in construction, fewer major labor contracts to be negotiated."

Milton F. Darr Jr., chairman, La Salle National Bank, Chicago, Ill., predicts a 15 per cent volume rise on the strength of expansion into new banking markets.

Richard J. Jones, president, Independent Grocers Alliance of America (I.G.A.), Chicago, sees sales up 20 per cent, "because we are expanding our product lines and services to our member wholesale companies and they are giving us better support."

On the question of increases or decreases in their own prices:

Joseph Griesedieck, president, Falstaff Brewing Corp., St. Louis, Mo., says that prices might go up 5 per cent because of "labor costs" but that this may be offset "due to overcapacity conditions within the [brewing] industry."

E. A. G. Manton, chairman, American International Underwriters Corp., New York, expects a 5 per cent price rise.

Dr. J. Mark Hiebert, chairman, Sterling Drug, Inc., New York, takes a more optimistic view on holding the price line, predicting "increased labor and raw material costs [will be] at least partially offset by increased productivity and economics."

Don C. Frisbee, president, Pacific Power and Light Co., Portland, Oregon, says his company has already filed for a 12 per cent rate increase.

A. Byron Reed, president, Munsingwear, Inc., Minneapolis, Minn., points out that a 3 to 4 per cent cost increase already is "built in on wage contracts."

M. M. Christy, president, the Western Pacific Railroad Co., San Francisco, Calif., predicts an increase of 10 to 12 per cent in charges as a result of a freight rate increase in June and a probable second one "around year's end."

Another railroader, John W. Barriger, chairman, Missouri-Kansas-Texas Railroad Co., St. Louis, Mo., sees "an increase of at least 3 per cent."

Capital and labor

Three executives who look for sharply increased spending on capital improvements are John M. Fox, president, United Fruit Co., Boston, Mass., 10 per cent; Richard H. Le Tourneau, president, R. G. Le Tourneau, Inc., Longview, Texas, 200 per cent due to establishment of a new plant next year; Richard H. Griebel, president, Lehigh Valley Industries, Inc., New York, 20 per cent.

Three executives looking for decreased capital investments are J. W. Feighner, president, Tom Huston Peanut Co., Columbus, Ga., 4 per cent because of "tight money and high interest rates" which have caused his company to defer certain projects; Zenon C. R. Hansen, president, Mack Trucks, Inc., Allentown, Pa., 30 per cent decrease; Edward M. Cramer, president, Broadcast Music, Inc., New York, 10 per cent decrease.

Their labor costs continue to plague businessmen.

Little respite is seen in several labor-intensive industries. E. L. Molloy, president, R. H. Macy & Co., Inc. New York, expects a 6 to 8 per cent increase; Francis E. Ferguson, president, the Northwestern Mutual Life Insurance Co., Milwaukee, Wisc., looks for an 8 to 11 per cent jump; P. A. Jones, president, Prescolite Division, U. S. Industries, Inc., San Leandro, Calif., looks for a 15 per cent rise; Edward J. Gaughan, senior vice president, Ocean Spray Cranberries Inc., Hanson, Mass., looks for a whop-

R. A. Weller, president, Otis Elevator Co., New York, says things are looking up but he is disturbed about the cost and availability of money.

ping 20 per cent jump in his labor costs.

NATION'S BUSINESS probed thinking among executives with two extra business-oriented questions. The questions and a sampling of answers:

"What are major factors affecting your business, either for better or worse?"

One hundred thirty executives answer that tight money hampers them the most, 99 that high labor costs hurt most, 38 complain about cutbacks in construction, 33 list fickleness of consumer spending, 59 comment upon the generally poor business conditions prevailing last summer. Other answers vary widely. Some respondents list several complaints.

"Do you see increasing or decreasing business involvement in socioeconomic problems?"

This question produces the most lopsided results of the survey. Ninety per cent, or 403 executives, say business will become increasingly involved while only 20 say business will withdraw. A handful decline to speculate and another handful say the degree of participation will remain about the same.

L. P. Lathem Jr., president,

The Profit Picture Brightens *continued*

Milton F. Darr Jr., chairman of La Salle National Bank, Chicago, sees a 300 per cent rise in his bank's capital spending in '71. He cites major expansion plans.

Ross D. Siragusa Jr., president, Admiral Corp., Chicago, Ill., says flatly, "We do not intend to spend more money until profits increase."

Lathem Time Recorder Co., Atlanta, Ga., provides this interesting comment: "No business has the right to contribute to pollution and poverty. Business should start proving it can do a lot of things cheaper and better than government can."

Edward F. Gee, president, United Virginia Bank/State Planters, Richmond, Va., hedges his answer thusly: "It depends on the economy. If growth is resumed [there will be] increased business involvement in such problems. If the economy continues to be slow [there will be] decreasing involvement as management's attention necessarily is focused on earnings for survival."

Eugene C. Zorn Jr., senior vice president of Texas' Republic National Bank of Dallas, sees increasing business involvement, and adds: "It has become too easy for politicians to blame business for the emergence of such problems. If we do not take a bold and imaginative approach, through time-tested management techniques and technology, government will fill any void the politicians allege to exist."

R. W. McFall, chairman, Western Union Telegraph Co., New York, sees an "increase if government spearheads an effort to pinpoint areas where a contribution can be made."

C. B. Sherman, president, Houston Lighting and Power Co., Houston, Texas: "Increasing. Alternative is to invite more unneeded governmental encroachment."

Also seeing increases are two executives of two Chicago, Ill., firms, C. R. Walgreen Jr., chairman of the Walgreen Co., and Andrew McNally III, president of Rand McNally and Co. Mr. McNally says the increase will be "slow . . . as profits pick up."

And A. Lightfoot Walker, chairman, Rheem Manufacturing Co., New York, predicts increases in business involvement in socioeconomic problems only as those problems "directly affect the individual business."

Two executives forecasting a decrease are:

L. D. Majthenyi, partner in the investment firm of Hambar Co., White Plains, N. Y.: "Unfortunately, I see a decreasing business involvement as a result of many disappointments."

A. Bruce Durkee, president, Durkee-Mower, Inc., Lynn, Mass.: "I see business becoming disenchanted with the idea that so-called 'disenfranchised minorities' want to be helped. The activists want something for nothing." END

There's only one thing Xerox Toner has over Nashua Toner

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*Based on average retail prices.

Pioneer Systems, Inc., an old-line chute maker, is now much more than that. But it still produces nearly all chutes used by sky-divers and others who jump for kicks.

DYNAMIC GROWTH COMPANIES

Pioneer Systems, Inc.

The sky's no limit

PHOTO: LEO CHOPLIN—BLACK STAR

"There are lots of isolated places where you need power—but there's no power line to supply it," says David N. Abrams (right), president of Pioneer, which is headquartered in Manchester, Conn. "For example, to monitor pipelines across the desert or Arctic tundra, for microwave relay stations in the Andes—or for two-way radios on offshore drilling rigs." Pioneer thinks its new fuel cell, which runs on hydrazine and converts chemical energy directly to electricity, will fill the bill. Royce Toni (left) is marketing director for the product, invented by Dr. Max Goldberger, now a research director at Pioneer.

PHOTO: CHARLES MOORE—BLACK STAR

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Pioneer's two top executives, both 41, keep in almost daily contact by phone. Mr. Rubin (the tieless caller below), a New York lawyer and a company president at the age of 22, lives in California. He flies frequently to the East Coast to confer with Mr. Abrams (the caller with the tie) and often travels abroad. Pioneer has facilities in Australia, Indonesia, Israel and South Africa. "I fly 300,000 to 500,000 miles a year," Mr. Rubin says. Their phone bill is a whopper.

Jean Veran de Joux, former French resistance fighter, cartoonist and humor editor of Paris Match, *invented the revolutionary De Joux process for animation and film projection. It cuts the time to produce an animated cartoon, like Bugs Bunny, by two thirds.*

Using optical dissolves and a shutterless camera, it creates the illusion of motion with eight frames of film per second instead of the 24 that conventional methods require. Mr. De Joux is now research director for Optical Systems Corp., a Pioneer subsidiary in Los Angeles, Calif.

Here ~~Miles L. Rubin (left), Pioneer board chairman, and Geoffrey M. Nathanson,~~ Optical Systems president, inspect cartoons ~~produced by this~~ high quality process.

continued on next page

Pioneer Systems, Inc.

continued

Mr. Abrams, sports-minded, played baseball and basketball in his college days, and "skis as often as I can" in Vermont with his wife and three children. As for Board Chairman Rubin, he recently returned from a two-week bicycle tour of Ireland with his 14-year-old daughter, Kim. It was the first time he'd ridden a bike in years.

Remember when—in the movies—pilots used to "hit the silk"?

The phrase dates back to the days before World War II when all parachutes were made of that fabric.

Hitting the silk meant bailing out.

Then, as now, Pioneer Systems, Inc., of Manchester, Conn., was a leading chute maker. Today it provides about a third of all chutes—they're generally made of nylon, now—used by our armed forces. Virtually all the sport chutes used by skydivers—and others who jump for fun—are made by Pioneer.

Tommy Fults, well-known hydroplane pilot killed recently in a freak accident on Mission Bay in California, had narrowly escaped death earlier—thanks to a Pioneer chute. His boat, going at high speed at a regatta on Lake Sammamish, near Seattle, flew into the air, twisted over, then nosed down to crash into the lake.

Mr. Fults was hurled from his seat. At that moment, a small chute opened behind him, and he floated safely to the water instead of hitting it at bone-crushing speed.

The chute, called a decelerator, was a specially-designed Pioneer product.

"As any pilot who has ever bailed out will tell you," wryly says A. N. Bohjalian, a vice president of Pioneer Parachute Co., one of Pioneer's Subsidiaries, "it's terribly important to have a good parachute.

"We're the Cadillac of the industry."

But Pioneer, since 1966, has become much more than a chute-maker and designer.

"We looked at the total world market for the product," Pioneer President David N. Abrams says. "It came to maybe $70 million a year. We had about 35 per cent of the market—and hoped to get 40 per cent.

"But what's that?

"We decided to get into new markets which could profit from our expertise—and from which Pioneer could profit."

That decision grew out of many talks between Mr. Abrams and Pioneer's board chairman, Miles L. Rubin. Mr. Rubin, described by some associates as "a shy genius," became chairman in 1960. He brought in Mr. Abrams, then an engineering sales executive with United Aircraft Corp.'s Pratt & Whitney division, to assist and then succeed Pioneer's ailing president.

Chairman Rubin sold diversification to the board.

The results are impressive. In 1965, Pioneer's sales were $13.9 million, profits before taxes $1.4 million. Last year, sales were $43.8 million, pretax profits $3.5 million.

"We branched out into textile finishing, decorative sewing, handicraft and hobby craft products, and automated sewing machinery," Mr. Abrams says.

"Most of the collars on U. S.-made shirts, and on some made overseas, are sewn with our Gellman machines.

"Then we got into fuel cells and optical printers.

"In both cases, we had men with great expertise in these fields.

"Our basic approach is to develop proprietary products for a profit—not as monuments to engineering departments.

"For example, lots of people can make a fuel cell that works.

"Our astronauts put a couple of them on the moon. But those cells, like most, used exotic metals such as platinum or iridium as catalysts. They cost maybe $600,000 or $700,000 apiece.

"Ours uses nickel and sells for $5,650." END

PHOTO: YOICHI OKAMOTO

"Peace Dividend" From the Pentagon

BY MELVIN R. LAIRD
Secretary of Defense

Almost unnoticed, a "peace dividend" of $6.9 billion is being received by the American taxpayer from the Department of Defense. It's a product of the continuing transition from a wartime toward a peacetime economy.

More savings will accrue as we implement the Nixon Doctrine for foreign policy and the recommendations of the Fitzhugh blue ribbon panel for reorganization in the Defense Department.

Inflation masks from many Americans the true magnitude of cuts already achieved in defense spending. In real terms—in dollars of constant purchasing power—the cuts, made over a two-year period, amount to $12.8 billion annually.

Like many businesses, the Defense Department has rising labor and material costs. And, like many divisions in large corporations, it has the problem of priorities in the allocation of available resources. In addition, it faces a tough board of directors—the Congress.

But today one fact is clear—the size of the defense budget is not the central issue in the allocation of the tax dollar in the '70s.

This year, federal, state and local governments will spend approximately $275 billion on nondefense programs.

Yet the defense budget—$71.8 billion, including the costs of the war—is at its lowest percentage of the gross national product and of total federal spending in 20 years.

Today, the federal government alone is spending more on human resources programs than on defense. This year, defense will take approximately 34 per cent of federal outlays; two years ago, that figure was 41.5 per cent.

The full impact of this historic change in the allocation of resources is clouded not only by inflation but by a lack of understanding of the cost of the war in Southeast Asia.

Some who go will stay in

The full cost of the war peaked at $29 billion in the fiscal year that ended June 30, 1969. When the further withdrawal of 150,000 fighting men is completed by next May, the annual cost will have gone down by $14.5 billion.

Some of the men and equipment withdrawn from Southeast Asia, however, must remain in the active forces at an estimated cost of $4 billion. Thus, the reduction in defense spending will fall short by that amount of the cut in war spending.

A further saving of $2.3 billion will come from reductions in nonwar programs, such as the cancelling of marginal weapon systems projects, ship inactivations, base closures and organizational realignments. This brings the reduction total to $12.8 billion.

But the expansion in costs due to price and wage increases amounts to $5.9 billion, so the reduction dividend that shows in current budget totals from fiscal year 1969 to fiscal year 1971 comes to the $6.9 billion I mentioned at the beginning of this article.

Achieving this dividend has had a serious impact on the industries that supply the Department of Defense, causing significant readjustments in production and procurement, as well as reduced employment. Some firms have felt the impact more heavily than others. Some face liquidity problems.

This is a matter of concern to the Department because a sound industrial base is vital to national security.

These readjustments are at about the midway point of their impact on the defense industry. During the employment peak of 1968 the Bureau of Labor Statistics estimated the entire defense industry employed some 3.7 million persons. That work force, it is predicted, will be down to about 2.4 million after next June.

Defense Department manpower, during this same period, is dropping from a high of 4.8 million on June 30, 1968, to 4.1 million by June 30, 1971. This adds a substantial number of people to the civilian labor force, mostly men 19 to 22 years old. These young men often are the least employable because of brief training and experience.

Despite this sharp cut in manpower it has been impossible up to this point to reduce over-all defense personnel costs. The magnitude of the cost of inflation can be seen most graphically in the fact that pay raises and related expenses will add about $3.3 billion to personnel costs during the period of these sharp reductions in manpower.

Because payroll costs keep increasing, the bulk of dollar saving has been made by reductions in procurement programs.

Advance indicators of defense economic activity confirm the direction in which we are headed. A comparison of the latest monthly data with the rate in 1968 shows:

- Gross obligations incurred for procurement, which represent orders for durable goods, are down 43.8 per cent.
- Total contracts awarded to industry, including petroleum products and soft goods such as food and clothing, are down 13.4 per cent.
- Unpaid obligations outstanding, which is a way of measuring the total order backlog and work-in-progress, are down 23.2 per cent.
- The layoff rate in industry (per 100 employees) is up 200 per cent. These figures reflect the austerity of the fiscal 1971 defense budget. For example, the present procurement budget request of $18.8 billion represents a 33.6 per cent reduction from 1968.

Back to $50 billion?

With the phasedown in Southeast Asia, can it be anticipated that the defense budget will return to the $50 billion level?

The answer is No—unless military strength is cut far below the pre-Viet Nam War level. A $50 billion budget level, even with absolutely no war costs, would involve lowering military strength to the level of June, 1941—1.8 million men.

The reason is quite simple—pay, price increases and the added costs of military retirement since 1964 have added $17 billion to the defense budget.

Pay increases alone account for $8 billion of that total. There have been record-setting raises. Civilian salaries have increased an average of 44 per cent and military salaries and compensation 49 per cent in the past six years.

Payments to retired military personnel are up $2 billion, with a growing retired population and automatic increases tied by law to rises in the cost of living.

And another $7 billion expense is for increased prices of goods and services purchased by the Department.

Although a prime victim of inflation, the Department of Defense has been the leader in combating this economic ill through reduced spending.

But it is an uphill battle, and Defense lacks the economic leverage it possessed in the post-Korean War years.

After the 1953 Korea peak, defense budget cuts made it possible for the nation to reduce taxes, remove economic controls, and still enjoy three years of relative price stability. The cost of living grew only 1.2 per cent from 1953 to 1956.

A comparable cutback in defense

"Peace Dividend" From the Pentagon *continued*

spending since the 1968 peak has not had a similar effect. The defense budget does not have the same decisive impact on the economy as a whole today that it did in the 1950s.

By the end of June, 1970, military and civilian employment in the Defense Department had been reduced by more than 500,000—two thirds of the total cut planned by the end of next June.

Because of the backlog of unfilled orders, the reduction in defense industry jobs has not moved as rapidly, but has picked up in recent months. From June, 1969, to June, 1970, the reduction in industry totaled about 450,000 jobs, with another 500,000 projected between June, 1970, and June, 1971.

In June, 1969, the over-all U. S. unemployment rate was 3.4 per cent. The ranks of the jobless had increased 1,137,000 by June, 1970, boosting the unemployment rate to 4.7 per cent.

There is simply not enough information to draw conclusions about the exact impact of the reduction of 950,000 defense-related jobs on the 1,137,000 rise in unemployment in the same period. It obviously has been an influencing factor, just as the job reductions between June, 1970, and June, 1971, will have an influence.

And, while further defense reductions after next June cannot be ruled out, it may even become necessary to speed up those already planned. Obviously a point of diminishing returns is approaching.

Allocation of the nation's total resources therefore must be a continuing subject of study.

Domestic needs and defense needs vie for priorities. Choices must be made. There simply isn't enough revenue to pay for all the necessary programs plus all the desirable, but less essential, programs that the various agencies of government think should be undertaken.

Nondefense spending—up

In fiscal 1971, spending by federal civilian agencies will be almost twice that of the Defense Department. So will spending by state and local governments. The figures are, roughly $136 billion (civilian agencies) and $139 billion (state and local) versus $71.8 billion for Defense.

During the past decade total federal outlays increased by some $113 billion. National defense outlays increased by $29 billion, or 64 per cent. Domestic programs accounted for the balance of $84 billion, with some programs increasing by as much as 700 or 800 per cent.

These figures indicate that defense alone should not be blamed for the current inflation and the $57 billion of budget deficits in the past 10 years.

Given the state of the economy and the rate of inflation at the time the present Administration took office, President Nixon recognized he had to slow down federal spending. With a $200 billion budget, that may seem like a rather straightforward task.

However, about half of the budget, or $100 billion, is in the so-called "uncontrollable" area where spending is determined by formulas contained in permanent legislation. While that legislation can be changed in the long run, it is certainly not subject to short-term adjustments.

The remaining $100 billion is for purchase of goods and services and can be controlled from year to year. About 75 per cent of this total is for the Department of Defense. Much of the remainder is for domestic programs in which there is every pressure for increases and little for decreases. Thus, when the government wanted to reduce spending in the short run, the Defense Department was the most conspicuous target.

Defense bore the brunt of the cuts ordered, but at a press conference July 20, the President was asked if further cuts could be made in the defense budget.

"It would be very difficult," he replied, noting that "there is very little left to take out of defense. . . . We will still try to cut in defense as well as in other areas. But to suggest that the money for big, new domestic spending programs can come out of substantial cuts in defense . . . is not realistic."

Need for realism

Realism calls for a searching look at the allocation of resources for nondefense programs. By 1975, it's predicted, the gross national product will rise to $1,200 billion. Today, defense spending is 7 per cent of the GNP and it should level off at about that rate, or lower if world tensions ease.

According to the future trend of federal purchases projected by the Council of Economic Advisers, during the next six years they will drop by $7 billion while the GNP increases by $246 billion. In 1975 all federal purchases may claim only about 7.2 per cent of the GNP.

Defense will become even more of a minority claimant for resources. Although suggestions of further cuts in the defense budget have been made—

Har

Reordering of Priorities—a 10-Year Effect

Trend of federal expenditures 1960-1971

		Billion $	% Increase
National Defense	UP	29.3	64%
Space	UP	3.0	750%
Social Insurance Programs	UP	48.2	200%
Education, Health, Manpower	UP	10.3	400%
Housing	UP	6.1	850%
Interest	UP	6.6	95%
TOTAL Nondefense	UP	84.4	185%

"Peace Dividend" From the Pentagon

continued

as much as $15 billion annually—they are not realistic when viewed in relation to the world situation today and rapidly growing threats we cannot ignore.

Fifteen billion dollars would equal about 10 per cent of the growth in social programs for the next five years. It would equal about 3 per cent of public spending in the mid-1970s. Under the circumstances, one must conclude that the size of the defense budget is not the central resource allocation issue of the '70s.

The central issues, clearly, involve the allocation of money within the $360 billion we will be spending for social programs in fiscal year 1975—especially directing the substantial increases for such programs where it will do the most good—and in the revenue system.

Many more job seekers

The need to look elsewhere for further resources does not diminish the Defense Department's fight against inflation, but here again there is a need for realism.

If its budget for the next fiscal year is kept at the fiscal year 1971 level and the Department is required to absorb the projected increases (payroll and price rises), the manpower level would drop by an additional 900,000 military and civilian personnel and the goods and services budget would decrease by at least $2 billion to $34 billion.

To the 900,000 people entering the labor market would be added an additional 200,000 job-seekers from affected defense oriented firms.

The result would be, in numbers, an armed force of pre-Korean War size.

The question is—would it be sufficient?

If the answer is Yes, the nondefense sector of the economy must expand to provide jobs.

If the answer is No, there must be a reordering of priorities within the human resources programs.

Either answer provides an unprecedented challenge to all sectors of the nation. END

"Inland-Ryerson's thoroughness really paid off for us."

Mr. James Walden, District Manager
Greyhound Van Lines, Tampa, Florida

"There must have been at least ten design changes and modifications, but they paid off in giving us maximum storage capacity for the size of the building. Originally the building was designed to occupy 19,000 square feet. But we studied the potential in this area and consulted with the local Inland-Ryerson building specialist on cost, and ended up virtually doubling the capacity of this building. It is the newest, most modern facility of its kind."

Companies like Greyhound are impressed by the buildings and the services that Inland-Ryerson building specialists deliver. Complete services that go beyond the building itself, and can include financing, land acquisition and design assistance. Plus complete construction services from site preparation to landscaping.

Make your building dollars pay off. Talk to an Inland-Ryerson building specialist. He's listed in the Yellow Pages under "Buildings—Metal." Or mail the coupon for a colorful idea kit. If its urgent, wire us collect, using the coupon as a telegraph form.

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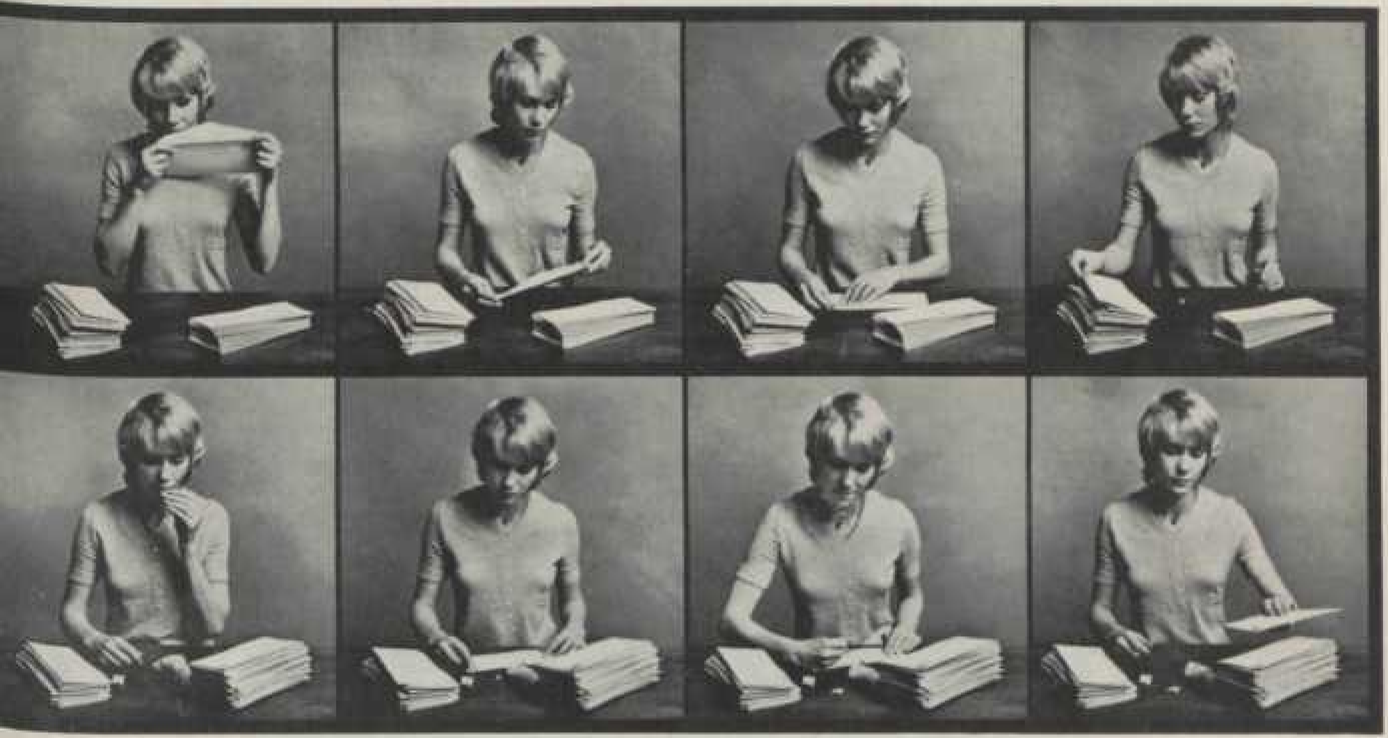


If all the new Pitney-Bowes Touchmatic postage meter machine did was make things easier, it would still be worth having.

But that's just the beginning.

If the girl in your office is still using the lickety-stick method of mailing a letter, she's wasting a lot of time. And spending a lot of your hard-earned profits to do the job that our new Pitney-Bowes Touchmatic postage meter can do faster, better and more economically.

Fifty years ago, when we invented the postage meter, we did away with the old lickety-stick for many a business. We could have rested on our laurels, with the usual improvements year after year. But we wanted to create something more than a better postage meter. We had our sights set on the perfect mailing machine. One that would particularly appeal to the small and medium-sized business that could least afford to waste time licking and sticking and rushing to the post office to replenish that mysteriously dwindling stamp supply.

In order to do this, we re-invented the postage meter. Not this year's model of last year's machine. But a whole new idea in postage meters. Our new Touchmatic with touch control (like the new telephone).

Now, with our exclusive 10-key keyboard, all you do is push, push, push. In one operation, your mail is meter-stamped, dated, sealed and stacked. The machine prints the exact postage you need on every letter, or on gummed tape for packages. Up to $9.99. Press the "R" for repeat button to meter stamp a number of letters with the same postage. If you've pushed the wrong button, push "C" for clear button and then push the right ones.

So far so good. Now what happens when your mail arrives at the post office? Off it goes. Because it's already dated, eliminating facing and cancelling at the post office. If your label slips off your package, your meter number is registered at the post office to simplify tracing.

Your mail arrives at its destination, looking like a business letter should. Neat and professional. Our postage meter can also print a sales message or miniature ad on the envelope at the same time it prints your postage. So you can say that not only does our Touchmatic work easier, it works harder, too. To the end.

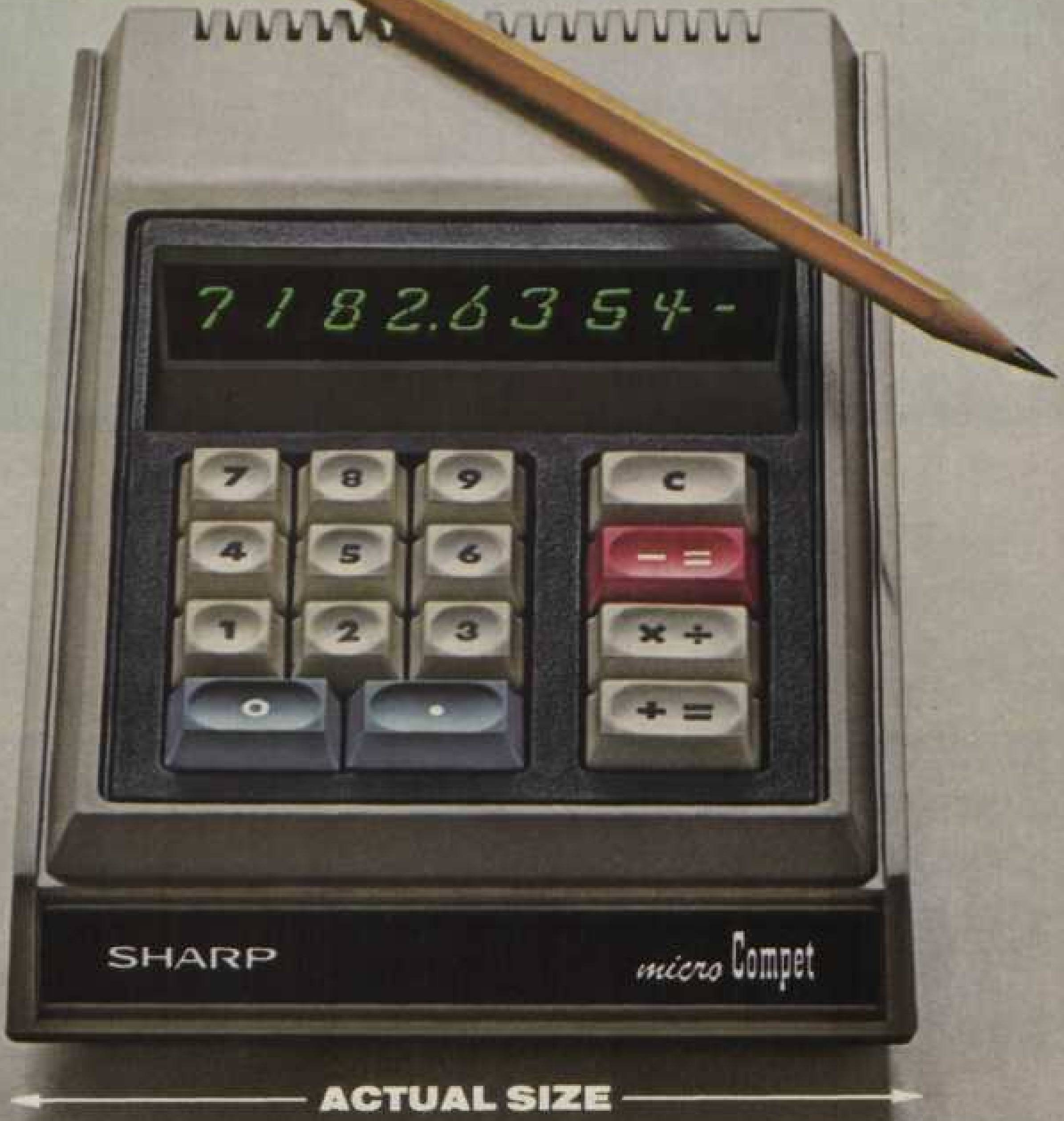
Pitney-Bowes

POSTAGE METERS

For more information, write Pitney-Bowes, Inc., 1362 Pacific Street, Stamford, Conn. 06904 or call one of our 190 offices throughout the U.S. and Canada. 50 Years of Solving Paper-Handling Problems. Postage Meters, Addresser-Printers, Folders, Inserters, Scales, MailOpeners, Collators, Copiers, Counters & Imprinters, Fluidic Controls, Labeling, Marking and Plastic Card Systems.

BREAKTHROUGH!

AN ELECTRONIC CALCULATOR THAT PAYS FOR ITSELF IN 85 DAYS



SHARP "MICRO"

THE 3 POUND ELECTRONIC GENIUS

ONLY $395

Does your business call for more than mere addition and subtraction?

Then you need an electronic calculator.

And now there is one that will pay for itself in 85 days.

The Sharp "Micro," newest of the complete line of Sharp calculators.

To pay for itself in 85 days, "Micro" must save your bookkeeper an hour-and-a-quarter a day. Because it divides and multiplies...adds and subtracts...does mixed and exponent calculation, it will.

> Let's assume your bookkeeper makes $150 per week. Divide by 40 and you get her hourly wage—$3.75. Divide her hourly wage by 4 and you get 94¢. Add that to the $3.75 and your bookkeeper's hour-and-a-quarter costs you $4.69.
>
> Now multiply $4.69 by 85 days and you come up with $398.65. (Since the Sharp "Micro" costs you only $395, you're $3.65 ahead already!)

If you worked that out on paper it would have taken you, on average (provided you made no mistakes), 5 minutes. With a Sharp "Micro" it takes just a minute-and-a-half. That's 21¢ of your bookkeeper's time. (And the Sharp "Micro" never makes mistakes.)

When you use the Sharp "Micro" as your personal executive calculator, it can pay for itself in weeks. And since the 3 pound genius fits in a coat pocket as easily as it slips into an attache case, executives commute with it, use it at home and on business trips. (In such cases its cost can be amortized in days.)

If your business is modest, no longer need you put up with old-fashioned, inadequate equipment.

If you're in a large organization, no longer need you be delayed while your department waits its turn at the office calculators. The Sharp "Micro" is the perfect auxiliary; a full-functioning calculator with credit balance and automatic decimal. Yet tiny and dependable, because its miniaturized circuits are the same as those used in the "moon shots": ELSI (Extra Large Scale Integrated) Circuits.

That's why, if you bring work home, the "Micro" will lighten your load. Literally.

Try the world's smallest electronic calculator. Be an expert in 2 minutes. That's all the time it takes. When you think of the time and money it saves—well, contact your Sharp representative, today!

See the Sharp "Micro." Try the world's smallest electronic calculator yourself. You'll be an expert in 2 minutes—less time than it takes to mail the coupon. Or dial this TOLL-FREE number for your nearest Sharp representative: (800) 631-4299. In New Jersey phone: (201) 488-1234.

SHARP

The world's largest maker of electronic desk calculators.

Sharp Electronics Corporation
Dept. NB-2, Paramus, N. J. 07652

Gentlemen: Please provide full information on Sharp "Micro."

Name ____________

Company ____________

Street ____________

City ____________

State ____________ Zip ________

You Don't Have to Be at the Polls to Vote

An estimated two million businessmen were away during the 1968 elections and didn't vote.

You don't have to be a repeater if you were one of them.

First step, of course, is to be registered. This is your ticket of admission.

Then, on Nov. 3, vote. Plan your schedule and, if you are an employer, your employees' schedule. If you aren't going to be in town on that day, or if some of your employees are going to be away, there is the absentee ballot.

You are eligible for one even if you are not going to be away—if you are chronically ill or disabled and cannot travel outside your home. Same applies to residents of nursing homes or other hospital care facilities.

Others can qualify too. Check local and state election laws.

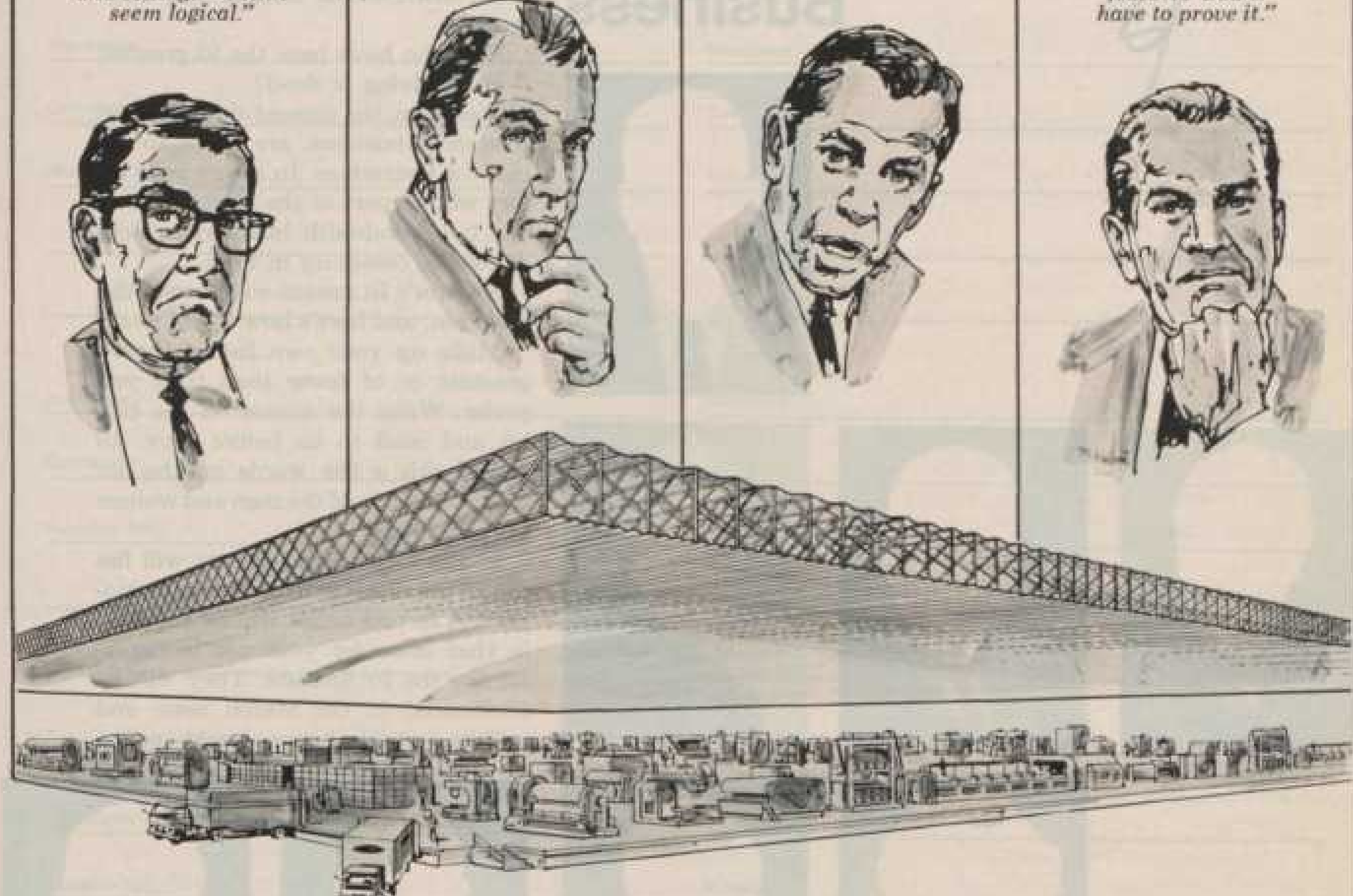
Call or write the office of the elections supervisory board in or nearest to your community. Or contact a state or local public official.

For how soon you have to request an absentee ballot, and when it must be received by election officials, see the listing on this page.

In all, 47 million Americans did not exercise their franchise in 1968. The percentage of voters was the lowest for a Presidential year in two decades—61. By comparison, in recent elections Canada had an 80 per cent turnout, and Italy, 92 per cent.

Business organizations are joining with "get out the vote" groups to reverse the apathy in the electorate. All are stressing planning—to register, to get to the polls Nov. 3, or to obtain and use absentee ballots.

	Request Absentee Ballot When	Voted Ballot Must be Received by Election Officials
ALABAMA	From 45 to five days before election	No later than day of election
ALASKA	Between six months and four days prior to election	Postmarked no later than day of election
ARIZONA	Within 30 days prior to the Saturday before election	By 7 p.m. of day of election
ARKANSAS	Within 90 to one day prior to election	By 7:30 p.m. of day of election
CALIFORNIA	Between 50 and seven days prior to election	By 5 p.m. of day prior to election
COLORADO	From 90 days to the Friday before election	By 5 p.m. of day of election
CONNECTICUT	Anytime so ballot is returned day prior to election	By 6 p.m. of day prior to election
DELAWARE	From 30 days to 12 noon of day prior to election	By noon of day prior to election
FLORIDA	From 45 days to 5 p.m. of day prior to election	By 5 p.m. of day prior to election
GEORGIA	Within 90 to five days prior to election	By 7 p.m. of day of election
HAWAII	Between 60 and five days prior to election if within state: 10 days prior if outside	Postmarked before election day
IDAHO	Anytime prior to election	By noon of day of election by certified or registered mail
ILLINOIS	Between 30 and five days before the election	In time to be delivered to local precincts by 6 p.m. election day
INDIANA	Within 90 days prior to election	By 6 p.m. of day of election
IOWA	Within 20 days prior to election	In time to be delivered to local precinct before 8 p.m. election day
KANSAS	Between Sept. 1 and Thursday prior to election	By noon of day prior to election in paper ballot counties
KENTUCKY	Anytime prior to 20 days before election	By 6 p.m. of day of election
LOUISIANA	Between sixtieth and seventh day prior to election	In time to be delivered to precinct by 8 p.m. election day
MAINE	Anytime prior to election	By 3 p.m. of day of election
MARYLAND	Anytime prior to 10 days before election	By 8 p.m. of day of election
MASSACHUSETTS	Anytime prior to day before general election	Before polls close on day of election
MICHIGAN	Anytime prior to election	By 8 p.m. of day of election
MINNESOTA	Between 45 days and one day prior to election	Before polls close on election day
MISSISSIPPI	Not earlier than 60 days prior to election	In time to be delivered to precinct before polls close
MISSOURI	Between thirtieth and fourth day prior to election	By 4 p.m. of day prior to election
MONTANA	Between forty-fifth and one day before election	By 8 p.m. of day of election
NEBRASKA	Between ninetieth and second day prior to election	By 10 a.m. Thursday following election
NEVADA	Anytime prior to seven days before election	Before polls close on day of election
NEW HAMPSHIRE	Anytime prior to election	In time to be delivered to local officials before polls close election day
NEW JERSEY	Anytime prior to eight days before election	By 8 p.m. of day of election
NEW MEXICO	Anytime prior to 10 days before election	By noon of day prior to election
NEW YORK	Between thirtieth and seventh day prior to election	By 5 p.m. of Friday prior to election
NORTH CAROLINA	Between forty-fifth and fifth day prior to election	By 6 p.m. of Wednesday prior to election
NORTH DAKOTA	Within 30 days prior to election	In time to be delivered to precinct before polls close
OHIO	Between thirtieth and fifth day prior to election	By noon of Friday before day of election
OKLAHOMA	Anytime (preferably at least 30 days) before election	By 5 p.m. of Friday before day of election
OREGON	Between the sixtieth and fifth day prior to election	By 8 p.m. of day of election
PENNSYLVANIA	Anytime prior to seven days before election	By 5 p.m. of Friday prior to election
RHODE ISLAND	Anytime so form is received 21 days before election	By 9 p.m. of day of election
SOUTH CAROLINA	Anytime prior to 30 days before election	Before polls close on election day
SOUTH DAKOTA	Anytime prior to election	By 7 p.m. of day of election
TENNESSEE	Between fortieth and fifth day prior to election	By 10 a.m. of day of election
TEXAS	Between sixtieth and fourth day prior to election	By 1 p.m. of day of election
UTAH	30 days prior to election; earlier if overseas	By 8 p.m. of day of election
VERMONT	Anytime prior to fourth day before election	In time to be delivered to election officials before polls close
VIRGINIA	Sixty to five days prior to election within U. S.; 90 to 10 days prior outside	In time to be counted in precinct before polls close
WASHINGTON	Within 45 days prior to election	No later than 15 days after general election
WEST VIRGINIA	Between sixtieth and fourth day prior to election	In time to be delivered to polls by 7:30 p.m. election day
WISCONSIN	Between ninetieth and third day prior to election	In time to be delivered to local precinct by 8 p.m. election day
WYOMING	Within 40 days prior to election	In time to be delivered to precinct officials when polls open



Name the 10 Greatest Men of American Business

Ford, Chrysler, Bell, Carnegie, Post, Morgan, Rockefeller, the Wright brothers, Sloan, Harriman, Stanford, Edison, Watson, McCormick, Curtiss, Rosenwald, Giannini, Matson, Lilly, Hughes, Sarnoff. . . .

On and on the list could go, all of them famous in the annals of American business.

In the nearly 200 years of United States history there have been thousands of brilliant businessmen: Inventors-turned-businessmen, men of manufacturing, finance, merchandising, transportation, electronics, communications, construction, foods, fuels, distribution, mining and aerospace.

But who have been the 10 greatest—either living or dead?

Well, you, the present-day men and women of business, are about to decide for yourselves. In a way your effort will be part of the celebration of our two hundredth birthday, which, of course, comes up in 1976.

NATION'S BUSINESS will oversee the selection, and here's how it will work.

Make up your own list of the 10 greatest, or of fewer than 10 if you prefer. Write the names on the ballot and mail to us before Nov. 10 along with a few words on the accomplishments of the men and women you nominate.

In the December issue we will list the 25 nominees getting the most support. A second ballot will be supplied in that issue for your use in determining the 10 finalists. They will be announced in the March issue and will be suitably honored next spring.

Han

Return this ballot to: **Ten Greatest Men of American Business**

Nation's Business
1615 H St. N.W.
Washington, D.C. 20006

Nominee: ____________________ Nominee: ____________________

Company: ____________________ Company: ____________________

Notable for: ____________________ Notable for: ____________________

Nominee: ____________________ Nominee: ____________________

Company: ____________________ Company: ____________________

Notable for: ____________________ Notable for: ____________________

Nominee: ____________________ Nominee: ____________________

Company: ____________________ Company: ____________________

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Notable for: ____________________ Notable for: ____________________

Nominee: ____________________ Nominee: ____________________

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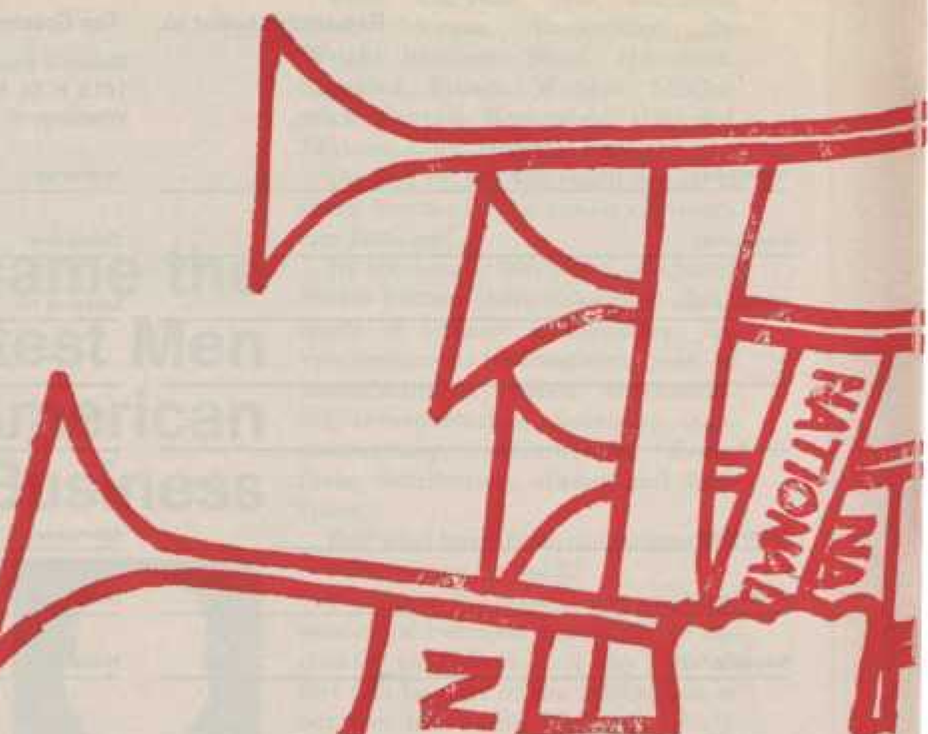
Notable for: ____________________ Notable for: ____________________

More Muscle in Business' Corner

The trade and professional associations are becoming bigger and stronger, to meet the demands of the '70s



A new era for trade and professional associations is here.

Businesses are becoming more complex and associations are following suit with new activities and services.

Terms such as merger, umbrella, superassociations and corporate associations are making the circuit.

Whatever the word, it signifies change and a swing to meet the demands of the '70s.

A substantial part of that swing is emphasis on the professional association executive. He is emerging as a new breed of businessman.

The umbrella-type organization he may direct is a far cry from the associations that multiplied after the turn of the century. And he's a far cry from the old "secretary."

The sky is the limit, so to speak, for this executive. For example, he can move on to head a large corporation, become Governor of a state, wrestle with Presidential ambitions and become a Cabinet officer.

An all-four-rolled-into-one example is Secretary of Housing and Urban Development George Romney, who was general manager of the Automobile Manufacturers Association from 1942 to 1948.

Then there is the reverse flow.

Alexander Trowbridge, Secretary of Commerce in the Johnson Administration, left government service for the American Management Association.

Now he's president of the National Industrial Conference Board.

Federal government circles are dotted with former association heads. And associations have sometimes recruited from among government officials and retired generals or admirals.

Now industry is headhunting in association ranks.

They're appreciated

"This is a manifestation of the appreciation for association executives," says James P. Low, executive vice president of the 3,500-member American Society of Association Executives.

And it is recognition that they have the kind of experience and talent required to lead an industry or profession, says Hugh McCahey, manager of the Association Department of the Chamber of Commerce of the United States.

Today, there are some 13,500 national, state and local trade and professional associations. When all types of associations are tabulated, the grand total runs out to approximately 40,000. Most have full-time, paid executives.

ASAE is celebrating its fiftieth anniversary this month. On Oct. 28, 1920, in the four-story Curtis Hotel in Lenox, Mass., 67 trade association executives assembled to hammer out an organization for themselves.

Originally, the group called itself the American Trade Association Executives. In 1956, the name was changed to the American Society of Association Executives.

Four years later, ASAE "went professional" and began designating qualified members as CAEs—certified association executives. Today, there are 251 CAEs.

With the rapid change in association structures, the ASAE sees greater exposure, responsibility and need for executive leadership by the chief paid executive and his staff.

A three-year Masters in Business Administration program for association executives has begun at Florida Atlantic University. The initial class of 17 will spend five weeks each year on campus and complete other requirements by correspondence.

A broader training program—Institutes for Organization Management—is sponsored by the National Chamber in cooperation with ASAE and ACCE, the Association of Chamber of Commerce Executives. These Institutes are held each year at six leading universities: Michigan State,

DRAWING: MICHAEL E. BROWN

Santa Clara, Syracuse, Georgia, Colorado and Texas Christian.

Statistically there is no composite profile of the association executive. Some come from industry. Some are former educators. Most are college-trained, frequently in journalism and communications, political science, law, sociology or economics.

Dusting the rust off

ASAE President Alfred LaGasse, in his inauguration speech last August, argued that past education did not insure an effective present.

"Have you ever felt you are losing the race between man and his obsolescence?" he asked his members.

"In other words, how do we update ourselves and be sure we have a 1970 brain to match 1970 problems and know-how?"

His prescription was continuing education: "An association executive should take a training course each year 'to dust the rust off.' "

While 50 is a respectable age, ASAE is relatively junior to the community it serves, the associations themselves. Most of the earliest were chambers of commerce—the first, the New York Chamber of Commerce, was chartered in 1768.

Prior to 1900 not many associations were staffed by paid chief executives. The work was handled by part-time officials and the members themselves. With any sizable association today it is virtually mandatory to have a full-time paid chief executive and a staff.

"Long-range planning will be a key role for associations in the future," Mr. McCahey states. "And that leadership thrust is going to come from the paid chief executive. He'll be more of the guy out front, as associations become more involved in issues that will have an impact on the total environment."

A relatively recent trend in professional staffing is the "multiple association office."

There also is a trend toward locating where the action is—Washington. This year nine major associations have moved or are moving to the capital. On one list of 75 associations with budgets of over $1 million, 28 are located in New York, 22 in Washington, 10 in Chicago and 15 elsewhere.

But an association doesn't have to have a million-dollar budget to find Washington attractive. A new resident this year, for example, is a state hospital association.

More associations are expected in the capital. If they don't move, they will follow the practice of others—open a Washington office.

Matching bigness

The future trend in organizations, many observers say, is toward mergers that will create "superassociations," sometimes called "corporate associations." Whatever the name, the move means bigness to match big government. They will provide an umbrella over an entire industry.

Says Alice Clark, trade association liaison officer in the Commerce Department's Business and Defense Services Administration: "Numerous overlapping organizations serving the same industries will largely disappear, having been absorbed by the umbrella associations."

The associations recognize a pressure to streamline from the federal government, which often finds itself dealing with a multitude of associations representing various facets of an industry. Competition from government also is pushing the merger concept. Government increasingly is providing services once the exclusive province of associations.

A National Chamber study forecasts that associations will gain greater effectiveness by consolidating to concentrate resources. "Their individual strength, scope and wealth will be far greater than the sum of the smaller organizations from which these superassociations will develop," it says.

Members, the study says, "will apply hard-hitting business sense to the policies of their associations. They will not accept financially or intellectually overlapping programs and services, duplication of efforts, diffused power and other inefficiencies inherent in parallel associations serving the same industry.

"Associations in the next decade will be structured—and staffed—as are the industries or fields they represent.

"Professionally trained association executives will have far greater responsibility than they have today, and this, too, will speed the merger process. As a trained business expert, the association executive will guide his organization as closely as possible in conformity with his industry's pattern."

Mr. McCahey prefers "consolidation of resources" to the word merger. His prediction is for "more inter-association relationships in the future. Associations will be working together just because of the complicated nature of the problems, such as any issue in the consumer area."

Many-spoked spokesmen

John L. Spafford, president of the Associated Credit Bureaus, Inc., located in Houston, says: "I think there will be more and more mergers. But I really don't like that concept. I prefer the umbrella concept—the formation of an umbrella over an industry. An umbrella has a lot of spokes. I would like to think of this future organization with a lot of spokes, each with an individual identity, as a business association.

"It will have the structure of a trade association, but function like a private business corporation—though the motive will not be profit."

The days of merely putting out a newsletter or magazine and holding a convention are horse and buggy to Mr. Spafford. He cites need for economy, better communications and elimination of duplication.

Mr. Spafford, who is the immediate past president of the American Society of Association Executives, foresees some rather radical changes in

More Muscle in Business' Corner *continued*

the internal workings of associations.

"Committees for the sake of committees are passé," he says. "They will be replaced by task forces and study groups peopled by individuals with expertise. Groups will be specially created to solve specific problems."

Dr. Carl F. Hawver, executive vice president of the National Consumer Finance Association, sounds a warning on mergers:

"There has to be a sufficient community of interests. Don't merge simply for the purpose of getting bigger. This can destroy otherwise strong organizations."

Dr. Hawver, who is chairman of the National Chamber's association committee, detects a change in the attitude of association members, noting:

"Dues today are big money. Businesses expect a return for their investment. They not only lean on their associations, they increasingly look upon the association as one of their business departments."

Top salaries

The average salary of the chief executive of a national association is $28,000 plus. An ASAE survey of top executives shows that in associations with budgets topping $1 million, the average total compensation is $50,063.

In 58 cases in the survey, the top salary, plus other compensation, is $100,000. Some top association executives make more.

ASAE Executive Vice President Low believes compensation will rise. He notes:

"Associations more and more are turning over the actual running of the operation to the top paid executive. The businessman member is too busy running his own business.

"He's literally saying: 'Make it relevant to my needs. We want to be involved. We want you to run it, but with me in mind. I need you like I've never needed you before.'

"In the past, a businessman, if he wanted to, could go it alone. He can't now. He must relate to what his competition in industry is doing. So the association is more important than ever."

Mr. McCahey agrees that this is becoming the prevalent member attitude toward the professional staff: "You run the organization. I want muscle there, the best talent. Use me on a need basis."

There is common accord in business and in trade associations that there is a vital need to relate to the total environment—or government will step in and tell business how it must operate.

"The evidence of leadership of associations is their activity in the socioeconomic areas," Mr. McCahey states. A recent Chamber survey listed significant examples in housing, pollution control, community and area development, public and consumer education, employee education, member education, job training and manpower development, entrepreneurship and health and recreation.

Another development is the businessman's "desire for a low profile," Mr. Low says. "The association must assume the high profile. In other words, if there is to be a finger pointed by this new consumerism, for example, let it be pointed at the industry as a whole and not at the individual firm.

"So the new executive fits the trend. The association takes the high profile and the executive represents the association. He must fight the battle."

Asks Mr. McCahey: "Who is in a better position to adequately express an industry's or profession's position and capability for solutions to problems than today's trade or professional association?"

He predicts associations will be more and more in the forefront on behalf of their industries or professions. Keys to increased value of the association, he believes, are the paid chief executive, increasingly competent staffs and more effective involvement of the members. END

Early Associations

1768	Chamber of Commerce of New York
1792	New York Stock Exchange
1839	American Statistical Association
1848	Board of Trade of the City of Chicago
1848	American Association for the Advancement of Science
1854	Northern Textile Association Formerly: National Association of Cotton Manufacturers
1855	American Iron and Steel Institute
1857	National Education Association
1861	Writing Paper Manufacturers Association
1861	New York Produce Exchange
1862	U. S. Brewers Foundation
1862	American Bureau of Shipping
1862	American Glassware Association
1864	National Association of Wool Manufacturers
1865	Underwear Institute
1866	American Insurance Association Formerly: National Board of Fire Underwriters
1875	American Bankers Association
1883	Jewelers Security Alliance of the United States
1890	National Association of Life Underwriters
1894	Toilet Goods Association
1895	National Association of Manufacturers
1896	National Association of Credit Management. Formerly: National Association of Credit Men
1898	Association of North American Directory Publishers

Source: American Society of Association Executives

Seven Ways to Turn Off Turnover

Watch out for boredom

How many of your employees fired you last year?

When an employee quits, he is doing just that—firing his employer.

An average of 800,000 Americans fire their employers every month, almost 10 million a year. Some are seasonal or part-time workers. But not the majority.

Nearly 18 per cent of all administrative personnel in industry left their jobs in the 12 months ending last Aug. 31, according to the American Management Association.

Our own records show that, when the economy is stable, most job changes are initiated by the employee. Four out of five job hunters are still employed when they enlist the aid of our professional employment service.

The increasing inclination of employees to discharge their bosses is a fact of business life even in a less thriving economy. It is by no means the national crisis some make it out to be. Dollars invested in job training are seldom lost to industry as a whole. But they are, indeed, lost to the companies that did the training.

Relatively few job switchers opt for a different field. Most seek new positions where their past training and experience will stand them in good stead. For every company that trains a man and loses him, there's a company that gains a man without training him.

Seen in this light, turnover becomes largely a matter of competition. Companies that realize this capitalize on their competitors' inability to hold valuable personnel. They do it by knowing the causes of turnover and working to minimize them.

Here are the seven major causes of turnover we have uncovered, and some suggestions for using them to your advantage.

ROBERT O. SNELLING SR., *author of this article, is president of Snelling and Snelling, Inc., the world's largest professional employment service.*

√*First, there's what I like to call the opportunity explosion.*

When this nation was settled, the average citizen could pretty well tell you the kinds of jobs available, what there were of them. Today, nobody could identify the more than 35,000 job classifications listed in the U. S. Department of Labor's "Dictionary of Occupational Titles."

I remember one young graduate who wanted to get into "communications." He went with the telephone company. The trouble was that, deep down, what he really wanted to do was write. Several years and several jobs later, he came to us. We simply analyzed his "communications" urge, and pinned down the communications he really wanted. Suddenly the light dawned. We placed him happily with a newspaper.

A cardinal rule of screening any job applicant should be to find out what he really wants to do for a living—if he actually knows. If an employee knows what he wants to do, and feels he is doing it, he won't be a job jumper.

√*A second major cause of turnover is impatience—often justified.*

It is important to give ambitious employees somewhere to go within the company. In large organizations the problem may be spotting the comers in the crowd. In small companies it's often a problem of giving them that higher rung to climb to.

Many an employee is blocked by his immediate superior. One ambitious engineer who came to us was stymied this way. He quit his job. We got him another. Within a year he had been hired back as his former boss's boss.

If an employee is capable and aggressive, it should not be necessary for him to quit his job in order to be promoted, or simply noticed. Recognition, added responsibility or a change of assignment are safety

valves that can keep a comer from turning into a quitter.

√*Closely related to impatience, yet a major cause of turnover in its own right, is boredom.*

Boredom results when a job lacks challenge or, worse, when it lacks work. When was the last time you took a long hard look at your organization chart? How old is it? How many of those titles are obsolete? How many square pegs are looking for new square holes because the round ones they're supposed to be filling have lost definition, or ceased to exist altogether?

A young finance trainee kept a notebook of how many days he sat at his desk staring at the office walls. When he reached a total of 30, he marched into the president's office, handed him the notebook and said, "This is my resignation. One month gone out of my life."

Sound like this young fellow expected assignments to be handed to him on a silver platter? Maybe. But it's amazing how many managers just "don't have time" for training new people because "there's too much work to get out." Or perhaps the employer is testing to see if the new recruit is a self-starter.

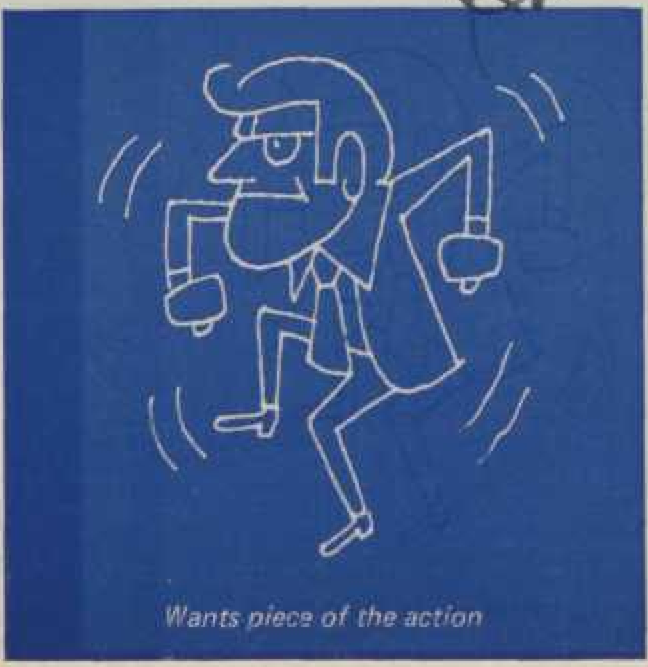
All this may boil down to poor communications in both directions. While the employee must understand that a job is not a scholarship, the employer should know that a training period is not just a test period. It is a time for teaching.

√*Too often, the assumption is made that job jumping is a matter of money when it is actually a matter of status.*

Salary alone used to be a fairly reliable status symbol. No more. Studies over the past 10 years show that the pay gap between middle and upper management is narrowing fast.

Impressive sounding titles don't mean much anymore, either. Anyone who hops jobs just for a bigger title, even president, can be kidding himself.

Most job hunters aren't just looking for better pay,



Wants piece of the action

Afraid of change

DRAWINGS: CHARLES A. DUNN

or bigger titles, or broader authority. They're after a piece of the action—assurance that what they are doing is really important to the organization.

Many are also seeking professional or vocational identity. Half their waking lives, after all, will be spent on the job. All their friends and relatives, not to mention business contacts, will know where they work and roughly what they do. Quite literally, they will be identified by the company they keep.

Now, how can their company keep them? By fair pay, to be sure. And by avoiding empty titles. But most important, by tying individual roles to company goals. And by actively promoting the company's image to employees as well as to the community.

√*When money is the key factor in a job change, and not just a convenient excuse, it's usually a matter of necessity.*

Despite steady inflation, upper management salary levels have remained relatively static. And while starting salaries have increased, most young executives and white collar people still live on tight budgets.

So what happens when a financial crisis arises?

Often, the employee is guilty of not revealing new financial burdens to his employer. Just as often, though, the employer is guilty of complete disregard for the employee's changing money needs.

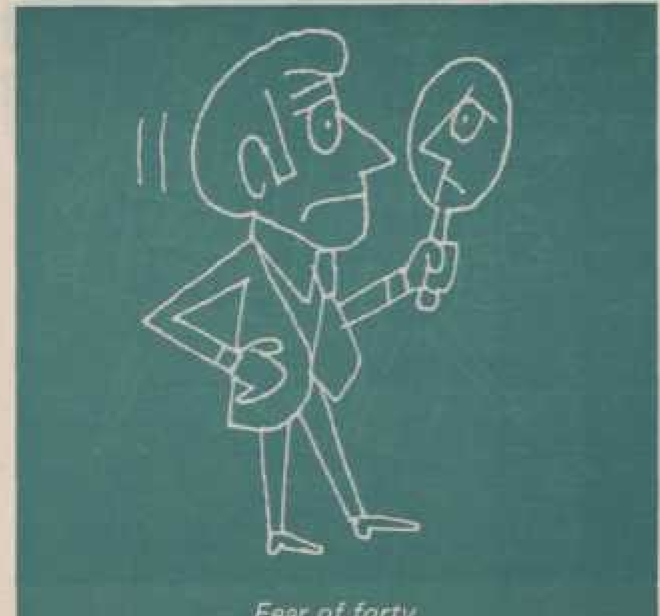
We have been able to save clients for their employers simply by clearing up money misunderstandings.

We counsel the potential job changer to confide in his boss first. If he meets with a blank wall, he has good reason to seek a better-paying job elsewhere.

√*Another potent reason for job turnover is personal insecurity.*

Daily, our counselors interview people who say they are going to be let go or replaced, and want to beat their boss to the punch. What they are really afraid of is change.

Ever since Frank and Lillian Gilbreth introduced mo-



Fear of forty

tion studies back in 1911, factory workers have feared the man with notebook and stopwatch who goes around improving efficiency. He could improve them right out of their jobs.

In the early 1960s, the efficiency expert invaded the office. Calling himself a management consultant, he brought with him a powerful new tool—the computer—and a bag of techniques known as "the systems approach."

Much has been written about the systems approach. Its general effect is not only to augment efficiency but also to speed up the process of change in organizations. Every time a new system is introduced, heads roll. At least, that's the impression many job switchers have.

Often the most conscientious employees are the most frightened of change. They have toiled hardest to make the old system work smoothly; so the new one comes as a shock. They feel personally threatened.

An employer can squelch this fear if he convinces employees that change is not the grim reaper. Before any new system is introduced, it should be carefully evaluated from a job standpoint, then explained and "sold" to everyone involved.

√*Age is a major cause of turnover, too, although not always for obvious reasons.*

Most job changing is done before 40. Why? The inevitable process of trial and error. Then, too, there is the age of 40 itself. It's still a false hiring deadline in many sectors.

Employers can use all the experience they can get today. A person shouldn't feel obsolete as he approaches 40, yet many do.

This is especially true of long-term employees—those who would seem the least likely to job jump. Perhaps they have been fairly content for years. Then they decide they don't want to be trapped in the same old rut for the rest of their days. So they start looking elsewhere in earnest—"before it's too late." The age of 40 is only symbolic. There is such a thing as professional mid-life, one age or another, when many employees feel they are "getting on" and worry. Symptoms vary, but watch for clues in personal appearance, work habits or attitude.

The employer needn't be nosy—simply sensitive to the personal needs of the individual. It never hurts to point out the advantages of extended tenure—seniority, pension benefits and so on. And the longer an employee stays on the job, the more he needs to be reassured that he's doing the right thing.

On an industry-wide basis, personnel turnover is as inevitable as death and taxes. But it can be minimized by employers who fight just as hard to hold good employees as they strive to get them.

Wait until the office is empty some evening. Take time to sit a bit at the desks of the people who report directly to you. Put yourself in each one's place, on each one's job. Ask yourself:

Does he really want to do this for a living?

Does he have reason to be impatient—or bored?

Is he proud of his position and his company?

Is he in financial need?

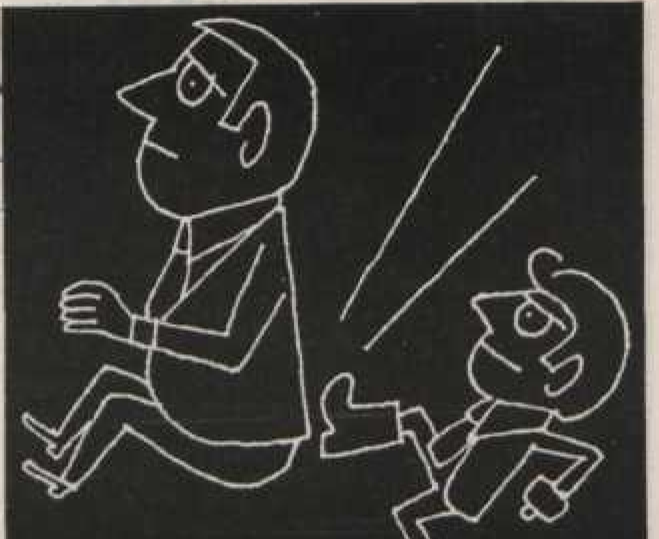
Is he afraid of getting jarred out of a rut? Or is he leery of getting trapped in one?

If you don't know the answers to those questions ask yourself these:

How many of your employees will fire you this year?

Can you afford it? END

REPRINTS *of "Seven Ways to Turn Off Turnover" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*



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LESSONS
OF
LEADERSHIP

PART LXV

Save this one
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Robert W. Prescott of Flying Tiger Line

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High spirits in the air cargo field

When Art Linkletter intoned, "This is your life, Robert W. Prescott," he opened what may have been the most irreverently affectionate twenty-fifth anniversary dinner ever tossed for a company president.

It was a triple-barreled celebration, commemorating the 25 years Mr. Prescott has held that title, the 25 years of his Flying Tiger Line's existence and, in fact, the silver anniversary of an industry—air freight.

"Do you remember how we came within an inch, maybe half an inch, of survival?" soberly asked P. J. Greene, one of Mr. Prescott's comrades in arms when he fought for China against Japan with Gen. Claire Chennault's American Volunteer Group—the original "Flying Tigers."

And then Mr. Greene promptly told a hilarious tale of a surgical operation that kept the two grounded the last month of the AVG's existence.

The celebration, at Los Angeles' plush Beverly Wilshire Hotel, was in the form of a surprise party for Mr. Prescott, a native of Texas who moved to California in his teens and has had a hard-driving, hard-playing career since.

There were more than 300 celebrants, among them many a friend from the old days, and many an early employee of Mr. Prescott's cargo airline.

For most of those present, it was a time to think about things that could never be again.

Sitting on a make-believe throne, Mr. Prescott, 57, listened as the past came alive. At times he seemed overwhelmed. At other times he would roar a protest: "Now let me tell it like it really was!"

There were those days at the wheel of a milk truck (he was fined for errors of procedure more than any other driver), as a naval aviation cadet, as a volunteer pilot with Gen. Chennault who downed six enemy planes, as a struggling airline operator, and ultimately as a big businessman.

Art Linkletter was present to emcee in TV's "This Is Your Life" style ("with apologies to Ralph Edwards") as an old friend of Mr. Prescott, one who once served on the Flying Tiger Line's board of directors.

He read messages from other old friends who couldn't be present.

"I was on the first flight of a Tiger Line plane," recalled a note from one of them, "Catfish" Raines.

"We went from Washington to Los Angeles and it was a sort of training flight. The copilot, that was Prescott, had 30 minutes of familiarization time on that Budd Conestoga. I was the pilot. I'd never even been in one before we took off. 'Where the hell is this or that?' I would ask. And Bob would answer, 'Damned if I know.' "

That first trip may literally have involved "flying by the seat of the pants," but the payoff was performance. The airline survived where scores of others started by ex-wartime fliers did not, growing into an all-jet, $200 million fleet operating over a 17,537-mile global network. Operating revenues totaled $96 million last year.

"Even if the Tigers hadn't made it," said Chairman of the Board

Lessons of Leadership *continued*

Wayne M. Hoffman that anniversary night, "I think most of the audience would agree there would be just as many people on hand, though at a much cheaper place, to be sure. Bob wouldn't have been any different and he wouldn't have had any fewer friends."

The following interview by a NATION'S BUSINESS editor with Mr. Prescott should provide an insight into why the Tigers did make it, and also, perhaps, why Mr. Prescott has so many friends.

When did you become interested in flying?

After the European war broke out in 1939, I was in law school here in Los Angeles, and I knew if Britain was going to get into a battle, we were going to get into it. I didn't figure on finishing law school and getting into the trenches, so I joined up as a naval aviation cadet.

How did you get into the American Volunteer Group—the Flying Tigers?

I graduated from flying school in December, 1940. Instead of going out to the fleet, they made me an instructor. Well, that was horrible. As far as I knew, I'd never get to the fleet. I didn't like the idea of instructing. Another thing, every cadet, when he graduates, buys himself a new car and goes way over head in debt. On $225 a month, it was pretty hard to fight your way out.

This fellow came around and talked to us about the AVG. It sounded pretty good, so I turned in my resignation and said I'd sign up.

Flanked by a picture of Gen. Claire Chennault, commander of the American Volunteer Group in China, Robert W. Prescott gleefully listens as old friends honor him in "This Is Your Life" theme on his twenty-fifth anniversary as president of the Flying Tiger Line. The firm gets its name from the AVG's nickname.

The commanding officer said, "I have to let this man in to talk to you people, but nobody is going to let you out of the Navy. Go ahead and try, if you want to." He kept laughing all the time, but one day he called me in and said, "I can't laugh any more. Here's your discharge."

I really didn't know whether this was for real, so I decided I'd test it. I sent a wire saying I needed a thousand dollar advance. I got it, so it was for real.

Where were you assigned?

To Rangoon, Burma. We reported in, about 25 or 28 of us, at San Francisco and they put us on a Dutch freighter. It took us 48 days to get there.

Chennault's group flew P-40's. Had you ever flown one?

No, I'd never even been in a fighter plane.

Some other guys had been there a month. So they were veterans. They put me in one of those damn airplanes and said, "There is the throttle and the flaps." I'd never flown anything with flaps, and I hollered a little, but they said, "We're not running a training school. Take off."

I got it off and steered it around and got it back, but then I told them, "You may not be running a flying school, but if I'm going to fly this thing, you'd better teach me something about it." I was afraid even to try to get the wheels up. So I made them give me a full checkout.

Do you remember your first combat mission?

Do I? I had 14 hours in a P-40 when I got my first job. I was more afraid of the airplane than the Japanese, to tell the truth.

Pappy Boyington, later a great Marine air ace, was in your group, wasn't he?

A wonderful man. I was Greg's wingman.

Har

"Hello, Boss!" Ex-Flying Tiger Line hostesses, who have formed a group calling itself The Clipped Wings, were on hand for the salute to the air freight company's first and only president.

Was Gen. Chennault much of an influence on you as a man?

Yes, he was a great man. He was a determined guy, dedicated. He was deaf in one ear, but if you just whispered you were ready to go on a volunteer mission, he could hear you clear across the room. He was good to us. I was very fond of him.

He had spent years in China. He knew the Japanese, knew their habits, knew where their military was most apt to strike. He was right almost all the time.

How did you happen to come to California?

There was just nothing to do in Ft. Worth. I couldn't get a job. A friend suggested we drive out here and we did. I got a job in a gas station down on Manchester Boulevard.

Later on, I kicked around in a couple of jobs.

Such as driving a milk truck?

For Challenge Milk Co.

I understand you created a slogan for them.

The slogan was "You can whip our cream, but you can't beat our milk."

Are you a frustrated advertising copy writer?

I think maybe I am. I'm pretty good at thinking up names and slogans. I think the name Hungry Tiger was pretty good for a chain of restaurants in which I own controlling interest.

But the name you started your airline under didn't click?

No, it didn't. Maybe I'm not so good. We started out as National Skyways Freight Corp. We wanted to be dignified so the shippers would have some confidence in us.

But the first thing I found out was that names always go down to initials. NSF was like "not sufficient funds" on a check. Anyway, when we would answer the phone, by the time we'd say National Skyways Freight, the caller would hang up, saying he was trying to get the Flying Tigers. Everybody knew a bunch of us had gone into the air cargo business.

So we changed the name and I think this turned out pretty well.

There's a story that you really wanted to be an engineer.

I did until I had to take the entrance examinations at Cal Tech. They lasted about eight hours a day for three days. I couldn't even read the questions. I turned out 16 blank pages and decided my real calling was the law.

What did you do when the AVG broke up after Pearl Harbor?

I came back to the States and hooked up with TWA as a trans-Atlantic ferry pilot.

Was this when you flew the "Mission to Moscow" flight?

Yes. I was copilot on the flight that took Ambassador Davies to Moscow to meet with Stalin on U. S.-Soviet war plans.

Is the story true that you overslept and missed an even more important flight?

I didn't oversleep. It was like this. I'd been copilot on a flight that lasted a long time and ended up in Casablanca. I'd just gotten back and thought I was going to get a couple of days off. I got a call saying, "Come on out to the airport, you're going on a long flight."

Nobody told me what it was or anything, so I said, "Hell no, I'm not going."

It turned out this was the flight to carry President Roosevelt to Casablanca for the summit conference. The flight I'd made had been a test run, only I didn't know it. I really blew that one.

What gave you the idea to start an airline?

I'd come back from a stretch of flying the Hump in the China-Burma-India Theater of the war in November, 1944, and I was on my honeymoon down in Acapulco, Mexico. I met a couple of Los Angeles businessmen there and they were talking about starting an airline between Tijuana and Mexico City, carrying freight.

They told me to look them up in Los Angeles, and I did. Sam Mosher, head of Signal Oil, was in charge of some of this thing and they hired me to get some airplanes.

This was early in 1945 and there weren't any airplanes. The government had them all. But I ran across one fleet of Budd Conestogas. They were built by the Budd Pullman Co. for the Navy and were made of stainless steel. I couldn't buy 'em, but I did get two on a lease.

And then later, after a lot of government negotiating, I found out I could get the whole fleet of 14 for maybe \$350,000 or \$400,000. They wouldn't sell just one or two.

I called Sam Mosher and told him his Mexican airline idea wasn't going anywhere and propositioned him about buying these planes and then reselling them one at a time. I figured

It was a time for remembering for Flying Tiger Line President Prescott and Mrs. Anna Chennault, widow of the famed chief of the original "Tigers." Thomas G. Corcoran, Washington lawyer who was a member of the Franklin D. Roosevelt Administration, is at left and TV's Art Linkletter is at right.

there would be a profit of around $300,000. He wasn't interested.

Well, I told him I wanted to buy the planes and how about starting an airline here in the United States.

He said fine, and that he'd match whatever money I would put up.

I raised $89,000 and Sam and some of his friends matched it, and I had enough to bind the deal. The next day I sold four of those planes for $200,000. I was in Philadelphia talking to a man who wanted to buy another three of them when Sam Mosher tracked me down.

He wanted to know what I was doing and I told him, "I'm selling these damn airplanes."

Well, he cussed me out a little and told me not to sell any more. He said, "We're starting an airline, remember?"

And that's how it got started.

Did any of your Tiger buddies chip in?

Yes. There were 10 of us in it altogether. Everybody put up some money.

The air freight business you started has had its ups and downs. Is it true you once offered to sell the whole works to anybody working for you who had $25?

I was ready.

But nobody had it?

Nobody would admit it. Maybe they really didn't think it was worth it. I was just frustrated that morning because somebody had messed up.

Has there ever been a time when you thought you really couldn't make it?

Not really. Oh, once we almost missed a payroll. We just didn't have it, and I didn't know what I was going to do. And we had wrecked two of those damn Budds. They had a screw-type landing gear and sometimes it just didn't work. You couldn't get it all the way up or down.

We set one plane down in a corn field and another on a golf course in West Virginia. I was kind of ashamed to call the insurance company. Hell, I thought they might cancel us out completely. I figured I'd better make a deal.

I found out the payroll we had to meet the next day was $8,000, which we didn't have. Then I went over to the insurance company and said, "We sure are having lousy luck with our airplanes. You owe us $20,000 for the last Budd we crashed. I don't want to stick you, so if you'll give me $8,000 right now, I'll settle in full."

Maybe they thought I was crazy, but they took me up on it and I had the check transferred by wire to the Bank of America. We met the payroll.

Many little airlines were started right after World War II, and the competition was fierce. Do any memorable ways of getting business stand out in your mind?

Well, in those days transportation was so tough you could just take an airplane to any major airport and walk in and say you were headed for New York or Los Angeles, and you would get a load. We did that a lot of times.

Our big chance came when one flower shipper, Harry Goldberger, gave us a load of flowers to deliver in Chicago. The plane was supposed to carry about an 8,000-pound payload. He brought up truck after truck of flowers. I didn't pay much attention to the weight. Hell, flowers couldn't weigh much.

I'll bet we had 20,000 pounds of flowers on board when we took off. It took the pilot from Los Angeles to Albuquerque to get to 2,000 feet.

I still say Harry hasn't paid for all that weight.

You did some contract flying for the Immigration and Naturalization Service, didn't you?

I know what you're talking about. You're talking about that lunchbox story.

We had a deal with the Mexican government to fly illegal migrant farm workers the U. S. Border Patrol caught. We would take them as far down into Mexico as a C-46 would fly, so they wouldn't just keep slipping back over the border—which they usually did if they could. We had nine planes flying around the clock and we were doing so well, we were just about running ourselves out of business.

I tell a story that one morning we had a brain session to talk about business drying up and then the very next day when each wetback opened his box lunch on the plane, right on top of the sandwiches was a bus

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ticket back to El Paso. You know this isn't true, don't you?

As an executive, do you use intuition a lot in making decisions?

I think so. I can't think on a subject too long.

You're not a detail man?

No. Most questions have an answer. If you can't get an answer pretty quickly, there is something wrong. You shouldn't fret over it.

You don't stew over decisions?

No, but I have corrected a lot I've made. I won't hesitate to turn around if I see I've made a wrong decision.

You're flexible, then?

Yes. I suppose you're talking about the story of the man who once complained this company didn't have a policy and I said, "It damn sure does. Even if it lasts only one day, there is a policy."

Seven men who served in the wartime Flying Tigers line up to josh an ex-comrade and for a moment relive old adventures.

What do you think your prime asset is as a businessman?

Common sense, I guess. I think I do have the ability to see through a problem.

Was the decision to go to a one-type aircraft fleet the most important one you've made?

It may not have been the most important, but it certainly wasn't the easiest one to make. And it was awfully tough to get to where we could carry it out. It was something we'd been trying for ever since we began, but we just never could quite make it. But when we got this fleet of DC-8's, I said we're going to ground everything that is left in the fleet. We had six or seven CL-44's left at the time.

What was your most important decision?

Bidding on the military contract to resupply MacArthur's army of occupation in Japan back in 1947.

There were two little airlines started by ex-United Airlines captains bidding, too. They'd been formed just for the purpose of taking this contract. United had the contract and had been subcontracting portions of it to each of these carriers. We knew they'd been getting around 80 cents a mile and we had to bring it down. We made up three possible bids, one for 52.5 cents a mile, one for 54.8 and one for 59. But we hadn't made up our minds which one to submit.

We all were sitting in the hotel the night before. In those days we had to share rooms. I started to go to bed and took off my pants, and my shorts had a big hole in them. Fred Benninger was with me, and he said, "Well, that clinches it. Let's put in the low bid."

We got the contract. And that contract gave us the organization and experience that really got us going.

Where do you see your growth in the future—your trans-Pacific route or domestic?

Both. The trans-Pacific route is awfully necessary to us. If you stay on the ground too long, your utilization will kill you, particularly with these expensive airplanes. Now we have a run from Bangkok to Boston, and our utilization of equipment is running 11½ or 12 hours compared to maybe 6½ to seven for domestic runs only.

Where do you get your executives?

From within. We always try to promote from the inside. I think it is the worst thing in the world to go outside the company for a job that can be filled internally.

How about you? You haven't had a promotion in 25 years.

Who's complaining?

You've reorganized into a holding company. Does this mean plans for diversification?

Yes, I guess I can't deny that.

The Hungry Tiger restaurants are not part of the company?

No. This is something I personally backed. I was really trying to help out a friend who owned the first of them. I'd stopped in at his place for a nightcap one night and he said he could get out of the woods if I let him have $1,000. The next week it was $2,000 and the next it was $5,000.

Finally, it got so bad that I had to take in some partners and take it over to get out from under. We got a good manager and changed our name and style and turned it from a $5,000-a-month loss to a $5,000-a-month profit. I told my manager if he could handle one, he could handle two. Now we have five.

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Do you believe in luck?

Oh, yes. There has to be some luck.

You've taken an active interest in politics. Do you think all businessmen should?

You bet your boots we should. It's the activists who help shape things. If you sit back and let somebody else do it, they will do it, but you might not like what they're doing.

You once had a fling at running for office, didn't you?

Well, you could call it that. A friend of mine in Palm Springs got me to run for councilman. We had our campaign headquarters opened and the signs printed. I thought we had a pretty good chance to win. But then I found out they had a residential requirement and I hadn't been there that long. So I had to withdraw.

Do you have any overriding business philosophy?

I think integrity is the biggest thing in business. I have always said this company will do what it said it will do, no matter what.

What are the problems today you didn't have when you started?

They don't really change. They may grow in size, but they don't change in nature. You've got to get the bucks in the front door and keep some of them from going out the back door.

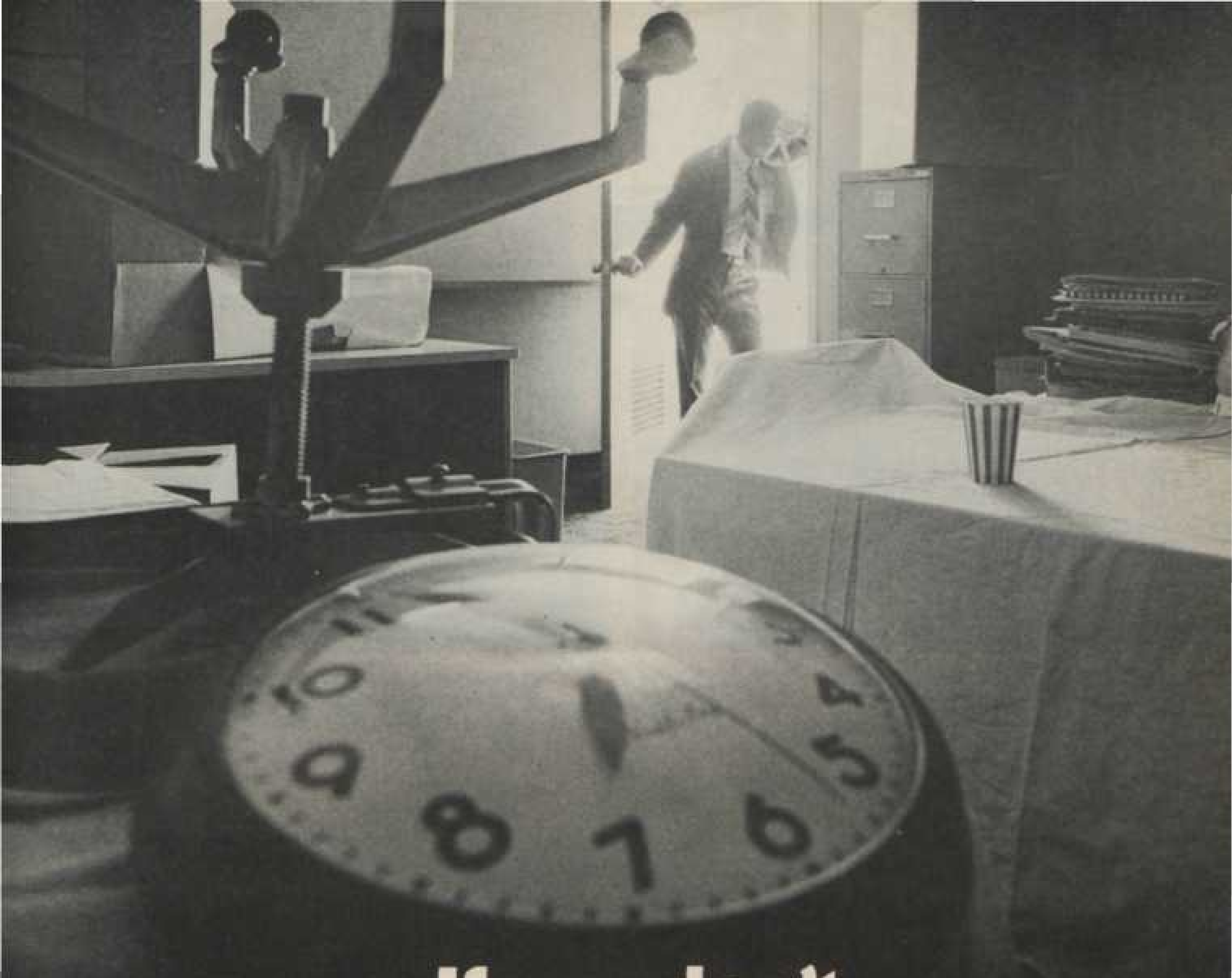
I know you're a golfer, but how else do you relax? Do you do any pleasure flying?

Oh, yes. I've got this Cessna I like to fly, just to keep my hand in. I always carry a copilot, though. I wouldn't go up there alone anymore. In the first place, there are a lot of traffic rules and your radio communication is so complicated. You have to go through about five different channels on your radio just to take off here at Los Angeles. I don't have time for that. I just like to push the throttle and get off the ground.

You're one of the few executives who can say he has founded an industry. How does it feel to be an elder statesman at 57?

Well, I don't feel elder. I wouldn't want to go through it again, but I sure as hell enjoyed going through it once. END

REPRINTS *of "Lessons of Leadership: Part LXV—Robert W. Prescott of Flying Tiger Line" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D.C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*



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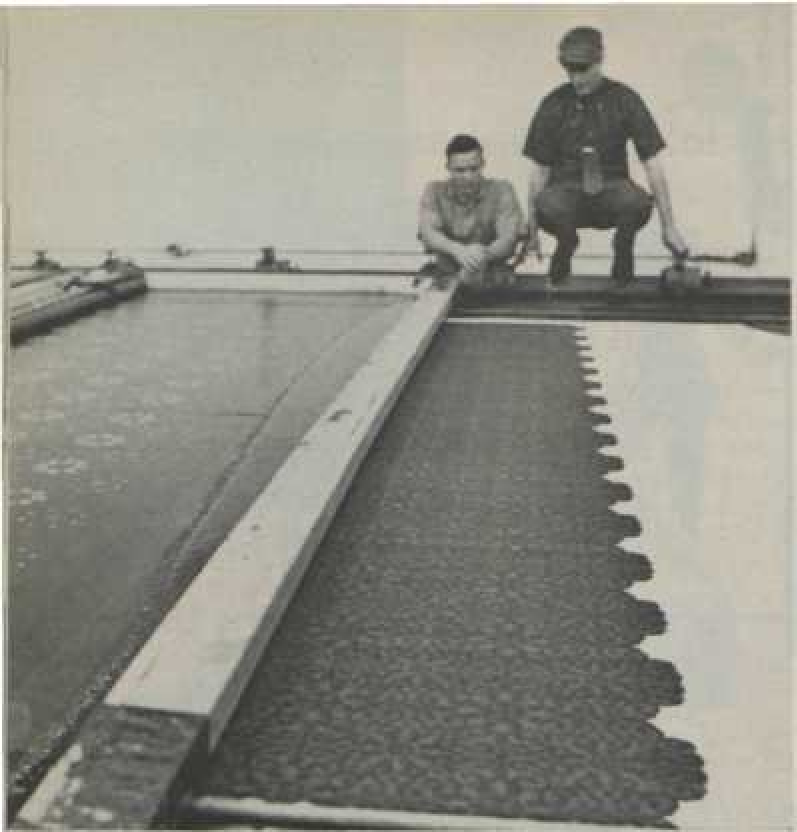

Georgia is among many states where industrial development has brought jobs, such as those for the men above, and . . .

. . . extra benefits such as this permanent display of metal sculpture at Atlanta's Great Southwest Industrial Park and . . .

See Georgia

See Georgia

Industry's Hidden Dividends

New businesses mean more than just payrolls, cities and states that woo them have learned

The march of progress for the nation in the last generation has been the march of industry.

Just as the pioneers carved ranches and farms out of the wilderness to change the face of the nation, so the technological explosion born of World War II has spilled out to keep it changing.

Drive on any road, through any state, and you'll see the changing face created by industry:

There are the giant petrochemical plants and oil refineries along the Texas Gulf Coast—the Gold Coast from Houston to Corpus Christi—and in the bayou country of Louisiana.

Here are the smokestacks of the steel mills in Pennsylvania, Indiana, Ohio, the shipyards of Virginia, shoe factories of Massachusetts, automobile plants of Michigan, the rocket makers of California and the giant aircraft plants of Washington.

And everywhere, in campus type settings, are the clean, air-conditioned, single-story plants that make textiles and television tubes, washing machines and toasters, computers and golf clubs, rugs and watches and a thousand other items in such towns as Albert Lea, Minn., Ft. Smith, Ark., Durham, N. C., Wichita, Kans., Yukon, Okla., Phoenix, Ariz., Denver and Des Moines, Sioux Falls and Seattle.

What made industry advance across the country and what made the towns and cities of the country seek industry is a multisided story of uplift and despair in the wake of progress.

The man with the plow created an agricultural empire on which the nation's economy long was based.

The man with the forge who made the plow soon turned, with others, to producing the goods that would move the farmer's products to market: Locomotives and boxcars to roll on rails, slaughter plants and warehouses, trucks and automobiles.

And, with the technological explosion, the nation's way of life changed from rural to city, from an economy essentially agriculture, to farming and manufacturing, and then to the cycle today: Agriculture, manufacturing, service.

Cities once dependent primarily on the land fell on troubled times.

But it was more than just a shift from rural to urban. Cities dependent upon a single industry found the

. . . the Creative Arts Guild of Dalton, headed by businessman John Walker (shown with Guild Director Elizabeth Raisen) and . . .

See Benga

. . . Dalton's full-time recreation program for all ages, one of the finest in the country. It was sparked by business leaders.

Han

See Benga

marketplace changing and their existence geared to the changes affecting their single industry.

Underlying every town's quest for industry was the deep-rooted desire to keep its own at home: To provide the jobs and homes and educational facilities for its people, especially its youth.

The search for industry by Anytown, U. S. A., can have begun in panic, as it did for some, or in a planned, deliberate manner, as it did for many others.

The immediate impact, if a town or city or state gains an industry, is obvious: Jobs, payrolls, a new tax source to help pay for essential services.

This is the short-range view. The real hidden dividends of industry pay off over a longer period, and they mean much more. They mean better schools and libraries, better streets and roads, better brainpower on boards and commissions, better ideas and manpower to carry them out.

Princeton, W. Va., is a good example. Location of a North American Rockwell Corp. plant there in 1962 has resulted in the building of a community hospital. Employees of the plant have held 35 chief positions in civic and city organizations, ranging from president of the Chamber of Commerce to city councilman and chief of the Volunteer Fire Department. In this same period, too, bank savings deposits increased from $5.4 million to $23.3 million and sales tax receipts from $90,805 to $199,602.

Chain reaction

There's an economic chain reaction to industrial development. At Georgetown, S. C. (pop. 12,000), Korf Industrie und Handel of West Germany built the $20 million Georgetown Steel Corp. mill. Now Midrex Division of Midland-Ross Corp., Toledo, is building a $12 million pelletizing plant to serve the mill and Andrews Wire Corp. is in production in a $2.5 million wire plant. A huge new power plant and expansion of port facilities are also in the works.

Perhaps the biggest dividend of all is the bringing together of a community's resources in the attempt to get new industry.

It can mean a small group of real estate men, like those in Daytona Beach, Fla., who realized that surf and sun and fun is wonderful—but that a town dependent upon even a single multimillion dollar industry is a town that lacks a solid foundation.

It can mean an entire state, such as Pennsylvania, long one of the cornerstones of the nation's industrial empire, which in 1963 teamed with the private sector to reverse a flight of industry and rising unemployment.

Starting with $3.5 million raised by the private sector to promote economic growth, the Governor's Committee of 100,000—100,000 individuals soon backed by 66 state-wide organizations with a membership of 400,000—has racked up an impressive record. In six years, 5,196 new individual projects or expansions were in operation, employing 300,000 who earn $1.8 billion yearly. In the same span, tourism, heavily promoted, jumped from $1.6 billion to nearly $4 billion.

It can be an entire region, such as the South, long predominantly dependent upon agriculture. Here manufacturing plants have soared to more than 73,000 in recent years and the number is growing almost every day.

Plants mean capital investments and jobs and every state is scouring the nation, seeking to woo new industry.

The quest for industry has involved few new methods. Mostly it is led by

Industry's Hidden Dividends *continued*

civic and business leaders, banded together in Chambers of Commerce or Growth Associations or Industrial Development Commissions, with a single-minded goal.

The twin keys to success are desire and decision-making: To want something badly and to determine how, and what's needed, to get it—land, money or manpower. Add to this endurance, for the hunt for industry is not easy and the competition is fierce. There are some 300,000 manufacturing plants in the nation. They expand and they move.

Rhode Island recruited industry by initiating an industrial mortgage guarantee financing program, with state backing for its low interest, first mortgage loans to new and expanding manufacturing companies. Seventy new plants have been attracted in this manner.

Okie, come home

Oklahoma, the dust bowl state of the Thirties, whose outward migration of citizens hunting work was immortalized in John Steinbeck's "Grapes of Wrath," has started wooing back its native sons.

"Bring Back the Okies," a campaign launched by Gov. Dewey Bartlett, is a direct mail program to all university alumni from Oklahoma who have left the state, telling them of new employment opportunities from new industry as a result of the state's organized industrial development effort. The campaign has brought back hundreds.

Milwaukee has lured industry from the suburbs to the city by setting aside several hundred prime acres for industrial use.

Nebraska, usually considered a prototype of the farm state, will have more factory jobs than farm jobs this year—for the first time. It accomplished the turnaround, in part, by a campaign pushed by Gov. Norbert Tiemann to persuade agricultural processing industry to locate near its source of supply.

Louisiana has a 200-mile strip of petrochemical plants, stretching from Baton Rouge to New Orleans, representing an estimated investment of $3 to $4 billion. But, more importantly, this giant 10-year, industrial expansion has brought into the state a wealth of top management and business leadership, along with thousands of highly skilled technicians and professional people.

Some cities, like Jersey City, have staked their future on the giant industrial park. Its 300-acre container-port and Liberty Industrial Park stretches out into the Hudson River, facing the Wall Street skyline of lower Manhattan. There's a $100 million price tag on the total project.

Wherever new industry has located you can go back and find the real hidden dividends. You can find examples in the Dakotas, the Plains states of Kansas and Nebraska, the Southwest, the Southeast, the Midwest.

While there is a sameness to these hidden values, there are differences, too, depending upon the geography of the town or its peculiar needs.

Four such stories are related here, those of Dalton, Ga.; Daytona Beach, Fla.; Russellville, Ark.; and Johnson City, Tenn.

Dalton: Lively Arts in a Carpet Capital

"They are the people who really make our town go," Thomas R. Jones, president of the school board, says of the solid middle class which has evolved from the breathtaking pace of industrial development in Dalton, Ga.

"People moving here from all parts of the country have added their ideas to our own," says Edward Mobley, academic dean of the new junior college. "It's been a very good mix."

"The people here expect high quality medical services and industry has been a big factor in assuring they get it," says Norman D. Burkett, president of the local hospital.

Those are just three of many testimonials by Dalton community leaders to the "fringe benefits" that industrial development brings along with the obvious gains of bigger payrolls and a broader tax base.

Dalton's industrial expansion provided the drive and talent that has given the city top-notch educational facilities including its gleaming new community college, a municipal recreation program more advanced than

those in cities many times larger, first-class medical facilities, and a Creative Arts Guild covering practically the entire spectrum of cultural activities.

"It's not at all unusual," reports Mr. Mobley, who was a moving force in the founding of the guild, "to see people getting off the first shift at a mill and heading for a guitar lesson or an art class."

Tucked away in the mountains of northwestern Georgia, Dalton is a city of 25,000 on the Conasauga River. At first blush, it seems an unlikely prospect for the role it has gained in the past 15 years—world center of the carpeting industry.

While Dalton's industrial roots go back for generations, it skyrocketed into its current spot as a leading industrial producer during the 1950s and 1960s with the swift technological and marketing progress in the carpeting industry.

The dollar value (at the mill) of tufted carpet shipments industry-wide in this country soared from $19.4 million in 1951 to over $1.8 billion last year. The six million square yards produced in 1951 climbed to 563.5 million by 1969. And the Dalton area turns out well over half of the industry's total production.

The massive plants, some with over a million square feet, are scattered throughout the city, as are the dyeing, finishing, chemical, metal-working, printing and other industries that sprang up to serve the carpet producers.

The sale of a handmade bedspread for $2.50 at the turn of the century started Dalton, Ga., on the road to its present status as the world's No. 1 carpet-manufacturing center.

Have
See Georgia

Jobs aplenty

No question about it, Dalton is prospering. With new jobs continually opening up in construction, in the factories themselves and in service and retail businesses that have developed, unemployment has seldom been a problem in the city in recent years.

In fact, two committees of business leaders are ready to find a job within 24 hours for any qualified individual who wants to work. But the economy has remained so strong that there has been little need for the service.

Why Dalton? Well, it all began there, as so many things do everywhere, with a woman.

Catherine Evans was a teen-ager on a Whitfield County farm near Dalton at the turn of the century and wanted to give an unusual wedding gift. The answer was a bedspread she made by what had become the almost lost art of "tufting."

Tufting, popular in colonial times, had nearly died out. Basically, it consists of pushing thread through the back of a sheet with a needle, forming a loop, and going back through the sheet. On completion, the tightly spaced loops are sheared off close with scissors, leaving a soft, pile finish.

The gift was a big hit. Other girls and women wanted to know how it was done and Miss Evans showed them. A neighbor who saw the original gift asked Miss Evans to make her one. The price was $2.50 and what was to become the multibillion dollar tufted textile industry was born.

More orders followed and Miss Evans hired help to meet the demand. Women who learned the skill were soon in business for themselves, working at home and turning the finished product over to itinerant commercial agents who left new supplies of yarn and muslin sheets on which patterns had been printed for the workers to follow.

Mechanization came along during the 1920s and 1930s.

But the large new tufting mills continued to turn out only bedspreads, chenille bathrobes, beach wear, and small rugs and other similar articles.

Then wider tufting machines were introduced. Improved, bigger machines gradually evolved until the 1950s, when the tufted carpeting industry began its phenomenal growth.

At the start of the 1950s, 90 per cent of carpet production was woven and 10 per cent was tufted. High-speed production of tufted carpet combined with such other advances as synthetic yarns helped keep costs low and opened vast new sales vistas. By 1968, tufted carpets had 90 per cent of the market.

The impact on Dalton and neigh-

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boring Whitfield County was enormous and not without the usual problems of accelerated need for more schools, more housing and more of every kind of government service.

But the area did not suffer the traumas that often accompany rapid change.

Prof. Roderick F. O'Connor of the College of Industrial Management at Georgia Institute of Technology wrote in a report on the carpeting industry:

"The Dalton area is characterized by extreme social mobility, with individuals in a decade rising from the working group to positions of social and economic leadership. The area is notable for a relative absence of conflicts between groups—between social or economic classes, between management and labor and between races."

Welcome, new ideas

Dalton always had an "openness" that welcomed new people and new ideas, Prof. O'Connor wrote.

School Board Chairman Jones, president of J & J Industries, Inc., which turns out commercial grade carpet, notes proudly that the city system stands among the top 10 of the state's 159 school systems.

"This community demands good education and is willing to support it," he comments.

Dean Mobley cites the highly successful Creative Arts Guild as evidence of what can be achieved through the cooperation of "our local people and those who came in with industry.

"The industrial expansion of Dalton has attracted a very cosmopolitan group," he says.

The guild conducts classes in ballet, music, painting, photography and drama, and has converted a parking lot near its downtown headquarters into a handsome garden. It has been heavily supported by industry since its beginning.

At Hamilton Memorial Hospital, President Burkett is overseeing the beginning of an expansion program that will increase the number of beds from 145 to 425 over the next 10 years.

The city now has 40 physicians, far above the average for cities its size, and the electronically equipped intensive care and coronary unit is one of the first in the state. David Hamilton, president of the Crown Cotton Mills, an old-line Dalton company, is president of the hospital authority.

Dalton industrial leaders were also in the forefront of the movement that led to the establishment of the city recreation program.

The recreation department has 20 full-time employees and is one of the few in the country financed directly by a tax which citizens voted to impose on themselves specifically for that purpose.

Dalton Junior College was a major step in the development of the top-flight educational system the community demands.

A bond issue to finance its construction was approved by a margin of 26-1. Enrollment doubled within the

first two years of operation. The college is largely responsible for the fact that more than 80 per cent of the city's high school graduates go on to higher education.

In discussing Dalton's growth, businessmen pay special tribute to the role of the city's utility commission composed of leading private citizens, and to the utility commissioner, V. D. Parrott Jr.

Despite the voracious demands of the carpet industry for high quality water, the commission has not only kept ahead of demands but was able to expand the system, at a cost of $4 million, out of accumulated funds.

It did so without raising the water rates, which are considerably below the average in the city's population class.

Consumption now stands at about 35 million gallons a day, second in the state only to Atlanta.

Hard to believe

Walter Jones, older brother of Thomas Jones, has kept close watch over the growth of Dalton during a career of nearly a half century as a banker there.

Now vice president of the First National Bank, Mr. Jones notes that resources of the city's financial institutions, which stood at a combined total of $22 million when the industrial boom began in the early 1950s, will reach $120 million this year.

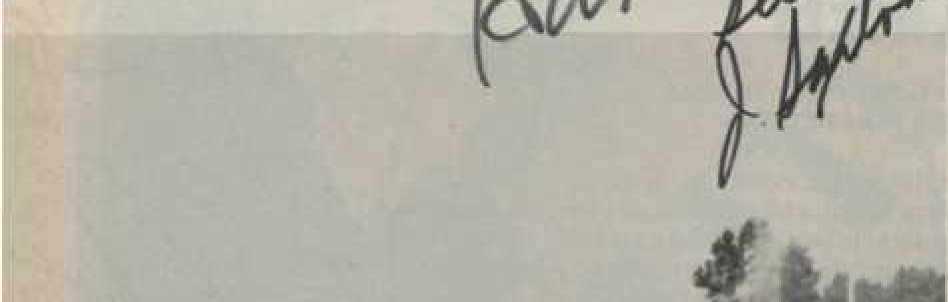
He likes to tell of the big national chemical company that once sent a salesman to Dalton twice a month, then three times a month, then twice a week, finally assigned him there permanently and recently opened a Dalton office with four full-time employees.

Pride and not a little note of wonderment mix in Walter Jones's voice when he contemplates what has happened during his lifetime to his home town:

"I still can't believe it. I've lived through every bit of it and I still can't believe it."

Harry Lee J. Saxton "Lloyd"

Daytona Beach: Creating Jobs for All Seasons



Daytona Beach, Fla., wanted industry that would be compatible with its resort reputation. J. Saxton Lloyd, who was first president of a group that went out to get that industry, can see plenty of proof of the quest's success.

Why would a booming tourist resort like Daytona Beach, Fla., want industrial development?

It already had a reputation as a winter and summer playground that attracted hundreds of thousands of persons each year.

It was famed as a big sports center. Major league baseball teams had trained there. For years the world's daredevils of auto racing had come to its 23 miles of hard sand beach to assault speed records. It was the hub of increasingly popular stock car races: The Firecracker 400- and Daytona 500-mile events draw upwards of 100,000 each.

"Oh, it was pretty simple," says Hayward Brown, the man who presented to civic and business leaders the proposal by the Daytona Beach Board of Realtors that propelled the search for industry.

"We needed a stable economic base to augment the tourist business, with its seasonal peaks and valleys. Tourism is our biggest industry. It always will be. But some of us recognized that this area simply had to have a consistent, secondary economic base."

"There are those of us who remember what this place was like during the depression of the Thirties and during World War II when there weren't any tourists," recalls J. Saxton Lloyd.

It was Mr. Lloyd who led teams of

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Daytona Beach civic leaders on goodwill tours across the South right after the war to promote their town as a summer vacation site. They carried along Weather Bureau statistics to prove it was cooler by the sea in summer. Before this idea was nurtured, Florida was almost exclusively a winter playground.

The proposal Mr. Brown presented was simply that the civic and business communities of Daytona Beach—and adjacent Ormond Beach, Holly Hill, South Daytona, Port Orange and Daytona Beach Shores—pool their resources, form a corporation called The Daytona Beach Area Committee of 100 and go after industry.

The Committee was formed in 1960.

"It wasn't after just any type industry," recalls Mr. Lloyd, who served as president of the Committee for the first two years. "It had to be industry that would be compatible with our tourist trade. Not smokestack industry."

Some had doubts

The idea of industry was not universally welcomed by the community. There were fears that any industry would put a crimp in tourism, a known source of millions of dollars annually.

"I suppose some were uneasy," says Mr. Lloyd. "But we were able to convince everybody that this wouldn't detract from tourism."

When the Committee of 100 was formed, the space age was coming into full flower at Cape Canaveral (now Cape Kennedy), less than an hour's drive away.

And the first really big industry to come was General Electric's Apollo Systems installation, the heart of the effort that would culminate when man reached the moon.

"GE brought in engineers and scientists and electronic experts and a high payroll base," recalls Robert H. Miles, the first and only staff director of the Committee of 100. He moved into the job from managing the Chamber of Commerce's industrial department when it was combined into the new group.

"They bought homes, became active in the community, and I think really proved to the people here what industrial development can mean."

GE built Apollo Park for its new installation. The Committee of 100 opened its Central Industrial Park alongside it and now offers sites ranging from one acre to 1,000 at two additional industrial areas.

The park has attracted the type of compatible industry Daytona Beach sought. At the peak of the space program, manufacturing jobs approached 6,000. Now, because of the cutback in space programs, affected firms are looking for nonaerospace business to take up the slack.

"I think we're going to continue to get the type of industry we want," says Mr. Lloyd. "For one thing, all resort-type communities like this one are going to benefit from the fact that people today want quality in living. They want to live this way and work where they can get it."

Mr. Miles indicates this was one of the reasons GE was so interested in the area. Salaries in the aerospace industry were about equal everywhere and the only inducement for talent was a better place to live and work. GE got 6,000 applications for its first 200 job openings.

Daytona Beach, like Miami, is split into two communities, the "strip" along the ocean beach and the "town" on both sides of the Halifax River.

On the strip, more than 100,000 college students will fan up and down the beach communities during the Easter holiday, joining thousands of winter vacationists from the frigid climes of the North. In the summer the influx is duplicated as families come for surf, sun, fishing, golf and other recreation.

Population triples

Volusia County, which includes the Daytona Beach area, has a population estimated in 1970 at 204,200. Twenty years ago it was 74,229. Its initial fame came when Ransom Olds and Alexander Winton raced their cars (at 68 miles an hour) on the beach there. Later at Daytona Sir Malcolm Campbell drove the first car ever to attain a speed of four miles a minute.

In the past four years, the area has received another sort of distinction as home to a month-long summer music festival featuring the London Symphony.

Tippen Davidson, executive editor of the *Daytona News-Journal*, was the guiding light in getting the symphony for the festival.

"Frankly," he now laughs, "we wanted to counteract a lot of bad publicity we got about wild behavior of college kids who came here over the holidays.

"There wasn't any wild behavior, but one news story saying so got a lot of circulation. So some of us met at my house and the idea of the music festival was born.

"We contacted some of the major orchestras and got a really enthusiastic response from the London Symphony."

Aside from concerts, the symphony conducts a school for local musicians.

Mr. Lloyd, a former president of the National Automobile Dealers Association and chairman of the Florida Development Commission, and Mr. Brown agree there was a prime reason besides economic stability for seeking industry.

"There wasn't anything for the young people after they finished school," says Mr. Brown. "They had to go away for careers and jobs. We wanted something for them here."

Russellville: Keeping 'Em on the Farm

When Russellville, Ark., celebrated its centennial last June, it could look back over a century in which its economy began with timber, switched to agriculture and more recently turned to industry.

Industry had not come too soon to the small, rural community where the lush Arkansas Valley starts to flatten out northwest of Little Rock. Agriculture had become marginal at best, jobs were scarce and the young men and women were heading for promised lands beyond.

Industry did not come to Russellville by chance; the people went out to get it.

Industrial development is moving at a brisk pace throughout Arkansas. But nowhere is this more evident than in Russellville, where more than $30 million has been raised through special taxation and revenue bonds to

lure badly needed payrolls. In the past half-dozen years Russellville has attracted names like Dow Chemical, Firestone, International Shoe, Morton's Frozen Foods, Rockwell and International Paper. These and others have generated payrolls in excess of $20 million annually.

Thanks to favorable year-round climate, a labor force both plentiful and dependable and abundant water and power, Russellville is not a difficult choice for industry seeking new locations in the South.

It is on the main line of the Missouri Pacific railroad, sits astride Interstate Highway 40 and is only a stone's throw from the Arkansas River, recently opened to barge traffic.

This latter attraction, looming large in the growth plans of the Arkansas basin, is part of a gigantic $1.2 billion Army Engineers project, extending water transportation on the Arkansas River as far west as Tulsa, Okla., and eastward to the great Mississippi.

The Russellville Industrial Development Corp., established in 1955, was among the first such agencies to start functioning as a result of legislation that year creating a state commission to go after out-of-state industry.

In one of its first efforts, it raised $110,000 from among 400 contributors (some investing as little as $5) to build a plant for the International Shoe Co.

The firm now employs about 500 men and women with an annual payroll of some $1.3 million.

Russellville's assets

Donald Barger, president of RIDC and one of the local businessmen who has worked ceaselessly to make the program effective, tells of the community's role in going after industry:

"We are, of course, geographically well located, enjoy good transportation and we have an abundance of utilities and a productive labor force. But a good industrial climate had to be created and we accomplished that."

Conversations with plant managers and supervisors focus quickly on Russellville's most important asset—its working people. Hard-working and loyal, they realize that without industry most would still be trying to eke

PHOTOS: EXEL HERSHORN—BLACK STAR

People like Robert Kendrick, raised on farms, have kept a hand in farming while employed by new industry in

Sel Robert Kendrick

out a living on what remains of the family farm.

"Many of these people commute daily from 40 to 50 miles away," says Mr. Barger. "They refuse to leave their farms. Many are husbands and wives, most times with the husband working at one plant and his wife at another."

Although agriculture is on the way out, poultry continues to provide a major portion of income. Poultry, in fact, has been responsible for attracting some of this new industry. Arkansas Valley Industries, Inc., for example, has three poultry processing plants, two hatcheries, three feed mills and a pet food plant in the Russellville area.

It buys poultry products from 250 producers, generally men and women who work in local industry and raise chickens and turkeys as a sideline.

Morton Frozen Foods, which came to Russellville several years ago, is doubling its plant size and increasing production by about 60 per cent. It employs more than 1,000 people, most of whom are drawn from the rural countryside.

International Paper Co. is building a plant largely to supply packaging material to Morton's and to Firestone.

"Most of our people belong to the union (Teamsters) but I've never seen such loyalty and devotion to work," Donald V. Allen, manager of industrial relations at Morton's, points out.

"I can't even tell you who belongs to the union, since we don't keep records on who does and who doesn't. These people love their work and it's the job security feature that attracts them to the union."

Dr. J. W. Hull, executive vice president of the Russellville Chamber of Commerce, looks at industrial development in terms of human benefits, but he likes to cite statistical comparisons to show what it has meant to the community.

Long-time president of Arkansas Polytechnic College in Russellville until his retirement, Dr. Hull says the assessed valuation of real and personal property has risen from $11.8 million in 1960 to $23.2 million in 1969, primarily because of new industry. He also cites as another growth indicator the sharp increase in sales taxes in Pope County—from $42,147 in 1962 to $75,175 last year.

Industrial expansion has brought with it problems, however, says Dr. Hull. Public school enrollment has jumped 33 per cent, requiring a new high school complex and additional teachers.

Russellville. A dispatcher for Morton Foods, he raises cattle on the side.

But, points out Alfred Vance, the Chamber president, this situation is soon to be reversed and Russellville will become the richest school district in the state. The Arkansas Power & Light Co. is building two nuclear plants on nearby Lake Dardanelle at a cost of some $320 million.

Arkansas Power invested an additional $6.4 million to reduce the effects of thermal pollution on the waterway.

The two plants will employ fewer than 100 workers, creating no new burdens on the school system, but adding immensely to the tax base.

Financing helps

In Russellville, as in most of Arkansas, new or expanded industry is made possible by a special act of the legislature which allows municipalities and counties to issue obligation revenue bonds for attracting and developing industry. These bonds may mature at any time up to 30 years and holders of the bonds are exempt from federal and state income taxes. Proceeds from the bonds can be used to buy land, erect buildings and purchase equipment.

This is partly what induced Dow Chemical Co. to move to Russellville. Dow recently completed a $7.5 million extrusion plant just outside the city limits and will soon begin construction of a chlorine cells manufacturing facility on the Arkansas River. Sites for the two plants, along with the buildings and equipment, are financed by a $20 million bond issue sponsored by the local industrial development agency.

C. C. Armstrong, manager of Dow's engineering and metal products department in Midland, Mich., acknowledges the role of the bond financing but notes, too, that the new navigation feature of the Arkansas River figured prominently in the decision to build the chlorine cells plant.

M. Wilson Dowell, manager of the Russellville operation, and 16 other Dow executives were transferred to Arkansas to take over management of the extrusion plant.

"The people of Russellville were eager to have Dow—and Dow was anxious to move here," he says. "We are going to make good corporate citizens."

Part of that pledge is already being met. Dow has recruited a number of young men who have completed two or more years at Arkansas Polytech. Except for Dow's and other new plants, these young people would have had to seek their future elsewhere.

New industry means payrolls and jobs, but it can mean problems, too, says Russellville Mayor M. J. Hickey. He explains:

"Only two of these companies are actually in the city. The others are in the county and contribute little to the city's tax structure. Still, we are required to provide these plants with police and fire protection and they are tied into our sewage system."

The mayor says many Arkansas cities like his are financially strapped because of rigid state constitutional provisions which limit the amount of taxes a community can impose on its citizens.

Some revenues will find their way back into Russellville, however.

Morton's, for instance, has agreed to pay $10,000 annually in lieu of taxes and Dow has promised to pay an amount equivalent to the taxes it would owe if the plant had been built with its own funds. The money will be split between the city and county.

Some extra benefits

The employee transferred to Russellville when his company locates there finds many advantages he may not have enjoyed before. Lake Dardanelle, created by the Army Engineers project, is a recreational paradise.

A short distance to the north is the Ozark National Forest and to the south, Ouachita Forest. Both have an abundance of wildlife. And for many

Industry's Hidden Dividends *continued*

parents there is the attraction of a well-established educational institution, Arkansas Polytech.

Mr. Allen, industrial relations manager at Morton's, says for these and other reasons he receives many job requests from the outside.

"I could hire more than 100 engineers if I had the openings," he relates. "An inventory control specialist who was just passing through on vacation liked the area and inquired about a job. We just happened to need an inventory control man and hired him. He quit a job of more than 20 years in Los Angeles and came to work for us. He just bought a 180-acre farm and is sold on this area."

The Arkansas Industrial Development Commission, which has done much to help Russellville convert to an industrial economy, has had a remarkable record in its 15 years of operation.

A recent report shows AIDC has brought into the state over $1.8 billion in new payrolls at a cost of only $45.19 per new employee.

"Looking back," Gov. Winthrop Rockefeller said recently, "I believe the results have been well worth the effort."

Casler Contacts Sent to Mr. Casler together with extra prints 10/5/70

Harm

PHOTO: CHRISTOPHER CASLER

Carl Hinkle, Johnson City's industrial development director, gets yet another assist from music store owner Maxine Snader in dealing with Hammond Organ products. Mrs. Snader, after a dealers' meeting in Atlanta, began lobbying with Hammond's president to locate a plant in Johnson City. Others joined in the lobbying, and it was successful.

Johnson City: Private Firms and Public Works

A favorite story of industrial development official Carl Hinkle concerns how he did not single-handedly land a Hammond Organ Co. plant for Johnson City, Tenn.

Not that the plant went elsewhere (Hammond did locate a new facility there) or that he didn't play a role. His point is that the community was sold by the efforts of so many key people in local business, government and education.

"They went all out," agrees Hammond President David H. Kutner, who says the community attitude "certainly was very critical in our evaluation of that area."

This attitude reflects keen awareness of the role economic development plays in civic vitality, evidence of which is hard to overlook in this community of 35,000 in the Appalachian foothills of upper East Tennessee.

Industry's impact?

"Just look around and you'll see part of it," says Paul Slonaker, principal of Johnson City's Science Hill High School, in welcoming a visitor to his complex serving 1,201 students on a 44-acre campus.

"Listen and you'll hear some more of it," he adds as construction equipment starts growling from a nearby tract where some $8.5 million in educational, cultural and recreational facilities are going in. Implicit in his reply: Tax revenues.

"Our existence, our being, our support is in it," says Dr. D. P. Culp, president of East Tennessee State University. Dr. Culp recognizes the contribution of industry in the tri-cities area of Johnson City, Bristol and Kingsport to the state's economic base and hence to public support for education.

The Johnson City Area Industrial Commission, serving the city and Washington County of which the city is a part, reports six new industries and 46 expansions for 1969, representing 662,000 square feet of new manufacturing space, increased building and equipment values of $8.6 million and a net gain of 505 manufacturing jobs. Mr. Hinkle, the Commission's

Harm

PHOTO: CHRISTOPHER CASLER

The quality and zeal of the hard-working labor force in the Johnson City area are big pluses for industry, according to North Electric Co. plant manager Leonard L. Runyan. "I didn't know people like this existed," he says.

"industrial director," estimates that new plant and equipment investment alone contributed increases of $53,000 last year to county revenue and $27,000 to the city treasury.

The Commission was launched in 1965 and it is supported by public funds.

City Commissioner Vance W. Cheek figures it's no exaggeration to say that more public works construction has been under way in Johnson City during the past year than during the previous 20 combined, largely though not solely because of the expanding economic base.

Besides the $8.5 million educational-recreational-cultural complex, projects include $7 million in sewer lines and treatment facilities, $4 million in water system improvements, $1.2 million for a new municipal building and $3.6 million for a downtown redevelopment program to realign streets, improve parking and replace run-down buildings.

Thomas C. Mottern, 36-year-old president of Hamilton National Bank, stresses that seeking industry "makes you size yourself up."

A community may tend to ignore its deficiencies (like a poor water supply) or take for granted its strengths—like East Tennessee State University.

An industrial prospect spots them right away and tells you flat out.

Holding onto youth

Before local leaders began actively trying to bring new industry in, their community was short on ability to provide employment for local youths who otherwise would be forced to move to jobs elsewhere.

Migration had been a problem in the area for decades.

Mr. Slonaker says something like 60 per cent of his high school graduating class of 1939 left the area. Many counties in the region lost population between 1950 and 1960. By one estimate, Washington County lost 5,000.

The Industrial Commission reports that a survey made as recently as 1967 warned that "the problem arising from out-migration is likely to become more acute in the future." A newspaper survey of local high school students showed many believed they would have to leave the area on graduation.

Some manufacturing had existed all along, including hardwood flooring, fibers and textiles, a foundry and the like. And by late 1969 the Johnson City area had a manufacturing payroll of 8,500 and 18 employers with a payroll of 100 or more. North Electric Co. came in 1966, expanded its operations and is now the area's largest employer with a payroll nearing 2,000.

"The picture has changed completely over the last 10 years," says Clarence Taylor, of the Tennessee State Employment Service's Johnson

Sign of the times: Another shopping center is in store for Johnson City.

City office. He says that migration "has been cut tremendously," and that the area may have held its own last year, balancing any outflow with an inflow of new people.

Industry's impact

One who shares this view is Jack B. Strickland, executive director of the federally-designed, nine-county First Tennessee-Virginia Development District.

As evidence he cites the "fantastic" impact of new industry, bank growth, home construction and retail activity—highlighted by the proliferation of new shopping centers, including a 35-store, air-conditioned mall-type complex.

As late as 1961, the area had no shopping centers.

A picture of steady growth is given by Mr. Mottern, whose bank's deposits grew by $6 million last year. "We have seen the highest level of business activity, which has resulted in our total loans and total deposits reaching an all-time high," says the bank's latest annual report.

Housing also reflects the area's relative prosperity. "It has slowed down somewhat, but not really too much as our money market is much better than anywhere else in the country," reports a prominent realty company.

A recent survey showed 15 builders in operation, completing 225 homes. "We have fared much better than the national trend," agrees City Commissioner Cheek, who is president of the Home Federal Savings and Loan Association of Johnson City and Greenville.

The impact of industry has other aspects, as shown by the experience of North Electric Co.

Plant manager Leonard L. Runyan says North Electric, a manufacturer of telephone switching equipment headquartered in Galion, Ohio, was interested in a location accessible to markets and a trainable labor force—not for "cheap labor."

What that has meant to employees is reflected in Mr. Runyan's account of their zeal: It's not uncommon for workers to drive 25 miles each way to work and back home over winding mountain roads; they'll get up at 4 a.m. to be sure they get to work despite 10 or 12 inches of snow; a supervisor must be restrained in urging a new employee to finish up a job—he's likely to stay after quitting time with no thought of overtime pay; one woman employee showed up for work heavily bandaged, fresh from an automobile accident.

"I didn't know people like this existed," says Mr. Runyan.

Like many other firms, North Electric encourages its management to become involved in community betterment efforts. "We try to add to what they had here," Mr. Runyan says.

How they wooed Hammond

North Electric was critically influential in the community's efforts to persuade Hammond Organ to locate a plant at Johnson City.

Mrs. Maxine Snader, a partner in a local music store handling Hammond organs, heard Hammond President Kutner say at a dealers' meeting in Atlanta that his company was seeking a site for an additional facility. She arranged a talk with him and started lobbying for Johnson City.

Learning later that he was on a tour of the general area, she tracked him down by telephone on the road and invited him to visit the city. "We certainly were not on the itinerary," she recalls.

Mr. Kutner swung through and was met by, among others, Mr. Hinkle, who suggested a late afternoon meeting with Len Runyan at North Electric. What Mr. Hinkle expected to be a brief chat ran longer than an hour and a half and Mr. Kutner's party stayed over an extra day.

Mr. Kutner says now that North Electric's favorable experience in Johnson City "turned us on to the point of wanting to investigate that area more thoroughly."

Meetings with area bankers, receptive local officials and others convinced Mr. Kutner that the city offered economic advantages not immediately apparent to a casual visitor.

Hammond was impressed also with the local school system, including Science Hill High School.

Just over 100 years old, Johnson City is Daniel Boone country, and long-time residents can point to a waterfall where he is said to have hidden from pursuing Indians. A historical marker is at the site of the tree on which the famed hunter carved his name and the fact that he killed a bear in 1760.

The city is named for an early inhabitant, Henry Johnson, who established a railroad depot; it was initially known as "Johnson's Tank."

Non-natives now in the area say that something of the frontier remains in the people, reflected in their individuality, self-reliance and disposition to work hard.

Yet there's cooperation. Johnson City benefits from, and contributes to, the industrial prosperity of the larger tri-cities area, of which Kingsport and Bristol are ahead in large manufacturing. There's a great deal of commuting from one city to work in another.

Cooperation among area governments also is reflected in the handsome, new Tri-Cities Airport, 14 miles from Johnson City.

Johnson City and its neighbors are betting heavily on another cooperative venture for their industrial future: The brand new Tri-County Industrial Park, more than 800 acres served by access roads, water, sewers, power and rail transportation.

Participating governments—two cities and three counties—hope for 7,000 new manufacturing jobs, another 11,000 in supporting industries and an annual payroll of $42 million from the park alone. END

Do's and Don't's for Wooing Industry

A leading industrialist, not too long ago, told a group of business executives: "If you are doing things today the way you did five years ago, you can almost rest assured you are doing them wrong."

His point was that we live in a rapidly changing society with so many technological developments that all our activities must change to meet new demands.

State governments are changing, too. They are not doing things today the way they did five, 10 or 15 years ago. Most states have reorganized their internal operations—or are in the process of doing so—to make them more manageable and more responsive to citizens' needs.

One of the activities which is taking on more importance is the area of economic development—strengthening a state's economic base while increasing its citizens' prosperity.

This state office, generally identified as the Department of Economic Development, has grown over the years from a sometime operation in a few states to a full-time professional program in all states. But there is room for growth in this activity.

New insights in any field are hard to achieve. Industrial development is a young profession and seems to suffer from more than its share of mythology.

The term "attracting industry" sounds innocent enough. Yet a whole generation of economic developers spent too much time calling around the country, and too much money on unimaginative advertising, while neglecting the far more fruitful growth potential of established industry in their own back yards.

BERNARD M. CONBOY, *author of this article, is past president of the National Association of State Development Agencies and director of Michigan's Office of Economic Expansion.*

This neglect took varied forms:

Bureaucratic deterrents to business growth.

Taxes that created deliberate or accidental brakes on expansion potential.

Worst of all, creating the feeling of being unappreciated or not wanted.

Dealing with government

Dealing with government officials in behalf of industry leads to a law that every developer learns early. Pressure on a cornered bureaucrat is distributed equally and undiminished in all directions. A prime responsibility of every successful developer is to see that the officials he deals with will be responsive to his industrial clients in a positive way.

Certain terms go with professionalism in all fields—training, ethics, objectivity, definitions, experience, registration.

There are no college degrees in industrial development, but there should be. The body of knowledge surrounding industrial development would do credit to a bachelor's degree program.

The development field needs ethics as much for its own protection as that of its clients.

Like businesses, professions grow on honesty and service. Misleading advertising claims for industrial locations are a well-known case in point. But a far more damaging form of dishonesty is the political commitment that disappears with the politician who makes it.

Water systems, sewers, tax concessions and financial help have been known to vanish after the industrialist is committed beyond the point of no reversal. This "now you see it, now you don't" salesmanship has no place in a mature profession, and yet some major corporations have been badly burned by it.

A professional opinion by most definitions implies objectivity. Its value is a function not only of its wisdom but its lack of bias.

How can industrial developers sell without distortion? Quite easily. A sound chattel will sell on its true merit and doesn't need distortion. All it needs is a fair presentation of its features.

In the long view, it is just as important to disclose the disadvantages as the pluses. The marriage of a company and a community should be for a long time and a bad match will lead to a breakup expensive for both.

Need for statistics

There is a great need for standard nationwide tabulation of industry growth by states, regions and economic sectors. The Office of Business Economics in the U. S. Department of Commerce is giving this attention.

The National Association of State Development Agencies has a Research Committee working on the problem of standard industrial development statistics.

The American Industrial Development Council, Inc., has worked to encourage sound research and to establish standards.

The term "industrial park" illustrates this point. It varies from pastures worth $500 per acre to developed districts worth $10,000 per acre or more.

Some of the states are classifying industrial parks and setting standards. If these designations stick, industrialists will be able to tell a lot about a "park" by the classification.

Professional registration for industrial developers is still in the future. Businessmen who deal with developers would do well to encourage the evolution of professionalism and, ultimately, registration.

Businessmen need more help to find acceptable sites and to negotiate with local government and state regulatory agencies for resources, permits and public services.

In these negotiations, state development agencies have an ideal role. Businessmen should demand a high degree of professionalism in filling that role.

As any successful businessman knows, the customer is always right. In this case, he is the customer. END

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PHOTOS: IVAN MASSAR—BLACK STAR

The Schweber Electronics building, with its second story faced in anodized bronze, is a standout at a Cabot, Cabot & Forbes industrial park in Waltham, Mass. The park, formerly the site of a pig farm, was built so all buildings are visible from busy Route 128, and reflections of the highway and of structures across it are visible on the Schweber building. Waltham is not far from Needham, location of an older CC&F industrial park which has served as a model for others throughout the country.

In 1949, a Boston real estate firm, Cabot, Cabot & Forbes, began planning one of America's first really park-like industrial parks.

It acquired acreage in suburban Needham which seemed an unlikely choice. The site had been a source of sand and gravel for generations—some of the gravel had been used as fill when Boston's Back Bay area was developed after the Civil War—and it now was wasteland, blemished by pits, craggy hillocks and old sand-and-gravel-business superstructures.

The land was zoned residential, and the town of Needham liked it that way. The owners didn't want to sell. Engineers said it was impossible to bring in water and sewerage. There was no rail spur.

But the site had one superb asset. It was located near Route 9, then Boston's No. 1 road west, and it fronted on Route 128, a beltway being built to carry traffic around the city, north and south, without creating jams.

Today, Route 128 not only does what it was designed to do but also provides a pleasant, convenient locale for scores of plants, warehouses and electronics firm research installations—thanks in large measure to

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Mr. Blakeley

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CC&F, under Gerald W. Blakeley Jr., has persuaded a variety of firms to use its industrial parks. The street sign is one of several at its garden-like Needham development.

Looking Like New *continued*

filed under Jensen

PHOTO: GENE DANIELS—BLACK STAR

Southern California's City of San Diego, seeking to broaden its economy with minimal harm to the landscape, launched an industrial park in 1955. The park, run by the nonprofit Economic Development Corp., accepts no firm unless it has been unable to locate in a private park. The city, says EDC's Julius R. Jensen (shown here), doesn't want "to be in the real estate business but in the business of creating employment."

CC&F's New England Industrial Center at Needham and other industrial parks like it.

CC&F persuaded Needham that an industrial park was an asset. It persuaded the site's owners—including a lady recluse in a tarpaper shack, who gave in after being invited to tea at the estate of CC&F's F. Murray Forbes—to sell. It did get water, sewerage and rail service.

And it graded the land, bringing in peat for landscaping purposes from the site of a less park-like industrial center it had developed. The center was in the same Back Bay area to which gravel from the Needham acreage had been hauled after the Civil War.

The New England Industrial Center began to take shape in 1952, with some buildings constructed on a to-suit basis and others put up by CC&F speculatively. Its occupants today—some own, some rent—total 37 and include a flock of nationally known firms as well as local companies.

American Can Co., which owns its property, is the park's oldest continuous occupant. It's been there for 16 years.

Sixteen years? That doesn't seem like such a long time, but for industrial parks—basically a post-World War II development—it is.

Cabot, Cabot & Forbes, under the leadership of Gerald W. Blakeley Jr., who came to the firm as a young man on the go in 1947, after selling Mr. Forbes on the potential for industrial parks, has developed a formula for keeping the parks up to date.

In essence, that formula is: Keep the environment up to snuff.

At a CC&F industrial park—there are more than three dozen of them, in Pennsylvania, Arizona and California as well as in New England—all buildings must be of "brick or better" construction. Meaning no exteriors whose appearance doesn't stand up as well over the years as does that of brick, or stone, or reinforced concrete.

There are prescribed land-to-building ratios, to insure plenty of attractive, green openness, as well as space for parking and loading facilities. At Needham, the ratio is two to one; at other CC&F industrial parks it's three to one, or even as much as five to one.

There are building setback restrictions, sign size standards and requirements that future changes be approved by the developers. No out-in-the-open storage is permitted and, as CC&F puts it, "no use is allowed which is objectionable by reason of noise, odor, vibration or the hazardous nature of the operation."

Obviously, heavy industry must go elsewhere. But that doesn't mean there's no manufacturing. The American Can Co. plant—which, when it was built, was Massachusetts' first major new industrial installation in years—produces containers for milk, beer and other products.

CC&F continually spot-checks to see that its restrictions are enforced. It makes formal inspections twice a year.

Generally, it says, its industrial park occupants are happy to live with the restrictions. But sometimes, letters from lawyers are necessary. And in one case at Needham, when a company insisted on keeping a sign which CC&F ruled was beyond its bounds, CC&F filed suit. It won.

In another CC&F park not far away, when it was found that a tenant couldn't legally be forced to eliminate or hide an area which had become a parking lot for trucking, CC&F paid for a stockade fence.

Does all this emphasis on appearance stem from pure altruism?

CC&F is quick to concede it doesn't. As Mr. Blakeley describes it, locating in an industrial park is "a way of getting work done in pleasant surroundings," and of attracting good workers to those surroundings. Tenants are happy if the parks stay pleasant, he says, and "we want repeat business."

continued

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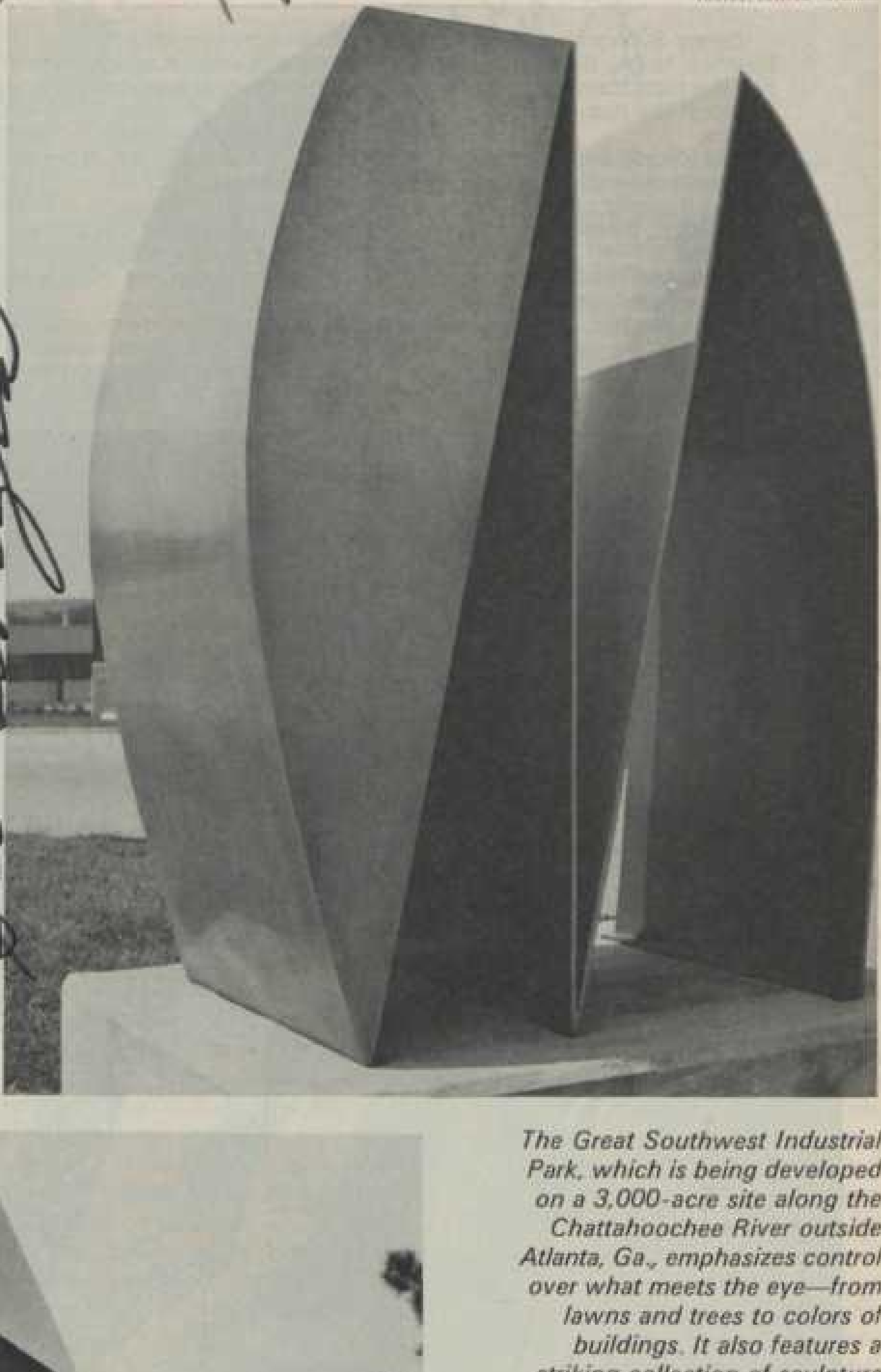

The Great Southwest Industrial Park, which is being developed on a 3,000-acre site along the Chattahoochee River outside Atlanta, Ga., emphasizes control over what meets the eye—from lawns and trees to colors of buildings. It also features a striking collection of sculpture of the contemporary variety. To date, GSC Development Corp., creator of the park, has invested more than $500,000 in three dozen works like these. Plans call for hundreds more in the years ahead.

END

New Towns and Industrial Parks Change Europe

Although Western Europe long ago rebuilt on the ashes of World War II, the face of the Continent and the British Isles continues to change under the impetus of new towns and industrial parks.

Generally, in Europe, these are forced-fed complexes of industry and residences—along with necessary supporting services—to take care of large-scale shifts in population and to accommodate industrial expansion. They may not always resemble the industrial parks of America, but the over-all aim is the same—to bring industry and workers together in a new environment.

The American visitor will quickly detect a major contrast: Unlike those in the United States, most of the European-style industrial park-new town complexes tend to overlap. Space is at more of a premium in Europe.

Among the early planned cities were those built on Fourteenth Century Holland's "polders." These were lands wrenched from the sea by dikes and complicated drainage systems. As a Dutchman of that period observed, "God having created the land and the sea, the Dutch took care of the coast."

Agricultural cities were set up on the polders. Few families lived on their farms but clustered together in these new communities or service and trade centers. This way of life continued until after World War I, when the Dutch began turning more and more to industry and away from agriculture.

About this time seedling cities began to appear, notably in the midst of "Randstad Holland," which is now a dense conglomerate bounded roughly by Amsterdam-Haarlem-Rotterdam-The Hague.

Today, the emphasis is on developing areas northeast of it, where there is ample labor and a need for private industry. The Dutch government is offering aid in many forms to encourage industrial park development to bring jobs to trainable people in this area.

The Netherlands government is working, too, to create industrial parks in other areas of underemployment such as the Limburg region in the south where coal mining is petering out.

The government is trying to stimulate improved communications, educational, recreation and health facilities. It is offering to pay up to half the price of land (up to $500,000) for a plant site or to pay investment premiums up to 25 per cent of the fixed assets of a new factory. Private interests are given the opportunity to take over the government's participating share in a specified time.

In many parts of Europe this same kind of attention to dense population centers and better land usage has led to the growth of industrial parks which, in turn, are linking some of the large metropolitan population centers.

Much of the development has been post-World War II and necessitated by the destruction of older plant facilities, mushrooming population and the desire to redistribute industry.

West Germany, whose factory areas were particularly devastated in the war, has not put the same emphasis on the industrial park that other European nations have. German industrial building has been concentrated in reconstruction areas.

How Italy does it

In Italy, a major transition from agriculture to industry is unfolding in the south: Steel works in the Taranto-Bari area on the heel of the boot, the ENI refineries in Gela, Sicily, and the Fiat Alfasud development near Naples. All have been modeled along industrial park lines.

Unlike Holland, where the government plays such an extensive role, private industry in Italy has taken the lead in providing housing and services, especially where it has been necessary to move large numbers of workers to new job sites.

In Italy, support services for these industrial parks, such as power, water, sewerage, recreation and education, are largely extensions of nearby metropolitan centers. This has induced many firms to move into the new parks where these services can be offered at substantially less cost than at a single remote plant.

France is another example of widespread postwar redevelopment. There is the unique Parisian satellite of La Defense which is more of a headquarters site than a factory town. From its office buildings emanate the policies directing many French enterprises.

Near Marseilles is Etang de Berre, a complex specializing in oil and steel development. In Toulouse, not far as the Mirage jet flies, are enormous new aircraft plants, and supporting industries such as electronics. North of Marseilles is another electronics complex at Grenoble.

In the Le Havre-Dunkirk area, which relied heavily on agriculture and shipping before the war, is a sizable complex of steel and other heavy industry. The manpower was there as were the shipping facilities.

The restructuring of the French economy—spurring development of many new industrial centers—was

New Towns Change Europe *continued*

forced by the loss of France's colonial power and the steady decline in importance of its agriculture. Acceptance of a new way of life was not notably difficult for many of its people. The postwar generation has simply developed new skills where necessary and those already with skills moved to where the action was and is—the new towns and industrial parks.

In France, as throughout much of Western Europe, United States interests play a role in the creation of these new towns.

The American profile is low as it must be because of the host countries' nationalistic pride.

In Belgium, as in the Netherlands, there is broad government assistance for establishing industrial parks, and luring business to them. The results can be seen on a 15-minute ride outside Brussels to the district of Aalst where land, power and labor are in abundance. More than a dozen new industries are operating there and others are planning to come in.

In other parts of Belgium, especially where coal production has withered away, both the government and the European Coal and Steel Community are cooperating to find new industry for a large unemployed labor force. Here, the Coal and Steel Community can grant loans of up to 30 per cent of the total investment in fixed assets to either a single plant or a complex of factories. Such inducements are greatly improved when a single factory moves to property adjacent to an existing factory requiring the same needs, such as utilities and labor.

Belgium's Office of National Employment will pay between 25 per cent and 35 per cent of the cost of retraining labor and as much as 50 per cent of the cost of bringing in foreign instructors.

England's industrial parks

In the United Kingdom, which matured industrially well ahead of most of Europe, the industrial park concept began in the Nineteenth Century. One of the first was Welwyn Garden City on the outskirts of London. The same factors which dictated that beginning still exist—a need for relieving overcrowded population and overcrowded industrial plant facilities.

Today there are more than 27 new towns in the U. K.

One of the newer ones is Washington, near Newcastle-upon-Tyne, which is geared to produce 1,000 houses annually to accommodate a labor force growing by 5,000 a year.

Ultimately, it will relieve not only the nearby industrial sections but attract skilled and unskilled workers from Scotland and from as far south as Wales.

Already in operation are plants owned by RCA, Holland's Molenschot and Avon Rubber, and a computer center for the British Board of Inland Revenue. A population approaching 100,000 is expected by the end of the century.

An even larger new town is Milton Keynes, near Northampton, only 70-odd miles from London and a short distance from Stratford-on-Avon. It is planned to house 250,000 or more people within easy access to nearby industrial parks.

Both industry and labor are enthusiastic about this decentralization which has led to a greater over-all production capacity for the entire country—and with it actual competition between the new city designers for functional beauty of homes and apartments as well as the interlocking industrial parks.

In such a government-backed and popularly accepted effort as this, all the educational, health, cultural and utilities services are provided. The emphasis is on making sure that the new towns and industries do not become simply overspill facilities for people now in the compacted older industrial centers.

The aim in England, as in Holland, is that as soon as new parks and towns are self-supporting they will be released by the various development commissions and allowed to operate on their own. Under terms of the New Towns Act of 1966, some £800 million is being made available annually and can be repaid out of income over a period of up to 60 years.

In whatever manner one looks at them, the new towns and industrial parks are part and parcel of the new Europe in gestation. END

Shot in the Arm for Our Exports

The Administration hopes for enactment of the DISC plan to encourage U. S. firms to sell more abroad

"Our international balance of payments remains unsatisfactory."

That make-no-bones-about-it statement is Treasury Secretary David M. Kennedy's as he rallies support in Congress for a novel Nixon Administration plan to help American companies increase their export business.

The plan, which is included in pending foreign trade legislation, could boost exports by $1.5 billion to $2.4 billion a year when fully effective. That would mean 80,000 to 130,000 jobs directly attributable to added business it would generate.

Keystone of the plan would be establishment of Domestic International Sales Corporations.

DISCs would sell products of domestic manufacturers to foreign purchasers for foreign destinations.

To qualify as a DISC, a corporation would have to confine its activities almost entirely to the export business and related activities. It could have foreign sales branches and own subsidiary firms, provided they sell goods imported from the United States.

There would be no U. S. tax on the DISC's current or retained export earnings, including dividends and interest from its qualified foreign subsidiaries, if that income was used in the corporation's export business or invested in specified export activities.

The export-related income could be taxed eventually, though—when it was distributed or the corporation was liquidated. A shareholder who sold his stock in a DISC would pay taxes on gains as measured by the accumulated earnings and profits.

Uneven breaks

The DISC plan arose from what long have been considered inequities in tax treatment of exports.

Many nations defer or, in varying degrees, exempt taxes on export income. Many also have granted tax concessions to stimulate exports.

The United States, on the other hand, taxes currently and, in most cases, fully the income from export sales by domestic corporations.

A foreign corporation selling U. S. export production gets a tax break from this country but a U. S. corporation selling its output directly abroad does not.

It's possible now to get full deferral of U. S. taxes under a complex averaging formula applying to foreign sales and taxes on related foreign manufacturing activities.

But the only U. S. exporters who can gain from that arrangement are those with substantial interests in foreign manufacturing facilities.

The Treasury Department points out that "the only way most U. S. manufacturers are able to obtain the benefits of full deferral of the U. S. tax is to form a foreign corporation to manufacture abroad."

The DISC plan will give smaller companies equivalent opportunities for entering export markets, the Department explains.

"This additional equity of tax treatment as between our largest corporations and U. S. business in general is an important feature of the Administration's proposal," it says.

Adding to surplus

In urging Congress to adopt the DISC plan, Secretary Kennedy said "the heart of our present balance of payments problem lies in the fact that, largely under the pressure of internal inflation and overheating, our traditional trade surplus has dwindled away."

He added: "Rebuilding this surplus must be a prime policy objective."

Recent monthly figures showing an upward swing in our trade surplus haven't changed Treasury Department dedication to DISC. Says a spokesman: "DISC will not only serve to stimulate further necessary improvements in our balance of payments, but . . . it will . . . build up our domestic economy."

These are basic rules proposed for the DISC program:

- Individuals, corporations, trusts and estates could be shareholders in a DISC. So could nonresident aliens and foreign corporations.
- Either a new or an existing corporation could qualify as a DISC.
- The DISC would have to derive at least 95 per cent of its gross annual receipts from exports or export-related investments and activities.
- At least 95 per cent of the DISC's assets would have to be used in its export business or be in export-related activity or investments in the United States Export-Import Bank.
- The DISC could not engage in manufacturing or invest in foreign manufacturing except to a very limited degree in direct support of activities to help U. S. export sales.
- Its income could be plowed back into a wide range of activities, including loans to manufacturers for plant, equipment, inventory, research or development, to the extent those activities are related to exports.

If approved by Congress, the plan would not take effect until July 1, 1971, start of a new fiscal year. The Treasury Department estimated it would cut revenues by $450 million to $600 million in the first full year and the Administration proposed the delay in the light of budget problems.

The plan, its backers believe, would be a major inducement to American manufacturers to locate plants in this country rather than go abroad in search of favorable tax treatment on production for overseas markets.

And more manufacturing plants here means more jobs here. END

 continued from page 13

meaningful information as to an area about four times as large.

The article is untrue in stating that the first release characterized "rumors" as "premature and possibly misleading." Instead the press release said that the "work done to date" was not sufficient for "definite conclusions," and that "any statement as to size and grade of ore would be premature and possibly misleading." It further noted that "when reasonable and logical conclusions can be drawn," the company would "issue a definite statement."

The SEC's authority to police press releases is confined to situations where the release is issued "in connection with the purchase or sale of any security." In the case against Texas Gulf, the SEC seeks to extend its authority to cover a release where (concededly) the purpose was not to affect the stock market and where neither the company nor the framers of the release were buying or selling securities. Heretofore, only state law has been held to apply to such type of release.

Ralph S. Saul, president of the American Stock Exchange, has noted that application of the SEC provision to the Texas Gulf press release would represent a judicial extension of the SEC's rule. Texas Gulf takes the position that it is unfair for the SEC to seek increase in its authority by *ex post facto* application of judicial extensions.

The Texas Gulf case is "historic" because of the number and sweeping nature of the extensions being sought by the SEC. Indeed the federal judge who wrote the majority opinion against Texas Gulf was quoted in the *Wall Street Journal* as saying, "It's going to have a hell of an impact on the financial world."

Many people think that such extensions (apart from their unfairness) fail to clarify how companies should handle their disclosure problems. Thus Mr. Saul, an expert in the field of securities regulations, has said that "continuing extension of the reach of (the SEC rule) 10b-5 by the courts has only served to increase corporate anxieties in the disclosure area." The quoted language is from an article he wrote concerning disclosure matters and referring to the Court of Appeals opinion in the Texas Gulf case. Mr. Saul was director of the SEC division which investigated Texas Gulf after announcement of the Timmins discovery.

Texas Gulf acted with the best of motives in issuing the press release of April 12, 1964. Indeed, Judge Friendly of the Court of Appeals stated that "no one has asserted, or reasonably could assert, that the purpose of issuing a release was anything but good."

The contrary implications in your article are most unfair to the company and its employees. Hence this letter, which I hope you will print.

WILLIAM H. DINSMORE
New York, N.Y.

Compass error

• Re "The '70 Campaign: Battle for Congress" [August].

The biggest argument of the Illinois campaign is that if Adlai E. Stevenson III is elected he will be a "Chicago" controlled Senator, and a Senator for upstate Illinois.

Your article stated that Sen. Ralph Smith charged his opponent would be a "downstate Senator." The article should have said Ralph Smith charged his opponent would be an "upstate Senator."

Downstate wants to be represented, and we who know feel that Sen. Ralph Tyler Smith would be a downstate Senator and represent the areas outside the city of Chicago. We do not feel we would be represented downstate by a northern Senator. We have one Senator now from the north, and he is doing an outstanding job for us and we support him wholly—Sen. Charles H. Percy.

Alton is Sen. Smith's home town, and we do support our native son. He will definitely be a Senator who will represent downstate. Adlai E. Stevenson, as Sen. Smith charges, would be an upstate Senator.

ROBERT W. YEATES
Executive Vice President
Greater Alton Association of Commerce
Alton, Ill.

Har

THIS MONTH'S GUEST ECONOMIST

Roger Williams
Economist
Standard & Poor's Corp.

PROFITS: A FRUIT OF PRODUCTIVITY

Productivity is a key word when you talk about American business profits.

The rate of change in gross national product is the single most important factor affecting their advances and declines.

Though changes in prices and in compensation per man-hour are significant too, the second most important factor is productivity per man-hour.

And productivity is the area in which management has the greatest practical opportunities for profit improvement.

Corporate pretax profits can be thought of as gross national product minus costs of production, including wages and salaries, rents, interest, payments to individual proprietors, depreciation and indirect business taxes (other than corporate income taxes).

Since World War II, this total collection of costs has risen in practically every quarter. Corporate profits have risen whenever the gross national product—the value of all the goods and services currently produced—has advanced strongly enough to overcome the almost inexorable rise in total costs. Profits have fallen whenever total costs have outpaced the GNP.

Manufacturing profits are worthy of special attention, since they make up roughly half of total profits and occupy a sensitive part of the economy.

Production is composed of man-hours times productivity per man-hour. Variations in man-hours have tended to be more significant than changes in productivity growth (or decline), although the difference in significance has been small. Manufacturing profit margins have more often been influenced by fluctuations in unit labor costs (total labor compensation divided by units of production) than by price changes.

In recent years, total labor compensation per man-hour has tended to advance rather steadily, with the rate of advance not differing very much between rising profit periods and falling profit periods. However, productivity per man-hour has increased strongly during advancing profit periods, while actually averaging a small decline during falling profit periods.

Where unit labor costs are concerned, the rate of growth (or decline) in productivity per man-hour is the critical variable to watch. Between 1948 and 1969, manufacturing productivity had an average annual increase of 3.8 per cent, while the growth rate for the total private economy was somewhat less —3.2 per cent.

The rate of productivity change is most closely associated with the rate of change in total GNP.

Productivity performs much better in a rising economy. But gains tend to diminish as the unemployment rate reaches rather low levels and stays there for an extended period, since employees then tend to be somewhat more complacent about their jobs and the availability of other jobs.

Management also tends to be more lenient in its cost controls as good business continues for a long time. Management innovations and productivity efforts appear to be most intense and rewarding after a business slowdown has been under way for several quarters.

Profit growth tends to be less vigorous during periods of rapid inflation, as illustrated by 1950-1952, 1955-1958, and 1966-1969. Prices do advance, but unit costs of production (particularly unit labor costs) tend to rise even faster.

Economic growth with only moderate price increases appears to provide the best climate for gains in profits.

Profits swing much wider than the GNP, and are a leading indicator for general business. When the GNP advances fast enough to just match the increase in total costs, profits will remain steady. Before 1965, a quarterly increase of 1.1 per cent in GNP was enough to reach this break-even point, but something nearer 1.5 per cent has been required in recent years.

Once past the break-even point, profits tend to rise by almost five times the increase in GNP. For example, if the quarterly GNP increase were 2 per cent and the profit break-even point were a 1.5 per cent increase in GNP, then the percentage rise in corporate pretax profits would be estimated at 2 minus 1.5 times five, which equals 2.5 per cent.

This relationship is modified by changes in the rate of productivity gains, which usually are large during the early stages of profit increases, but tend to slow down as unemployment decreases and memories of the last business dip become dim.

Management must keep plugging away at productivity. It needs to advance with new products and services, improvements in existing products and services and upgrading of marketing practices, all of which significantly affect the rate of expansion in production and revenues.

Executives should make every effort to gain two-way communication with their employees, adopting their cost and revenue suggestions when useful and in general making them feel they really are on the same team. Employees' contributions to the enterprise can be markedly enhanced this way.

And companies should be examining their cost records carefully all the time—not just when profits are pinched.

How They're Rated in the Tight Races

Here's a look at Congressional candidates' past performance through the eyes of ACA, ADA and COPE

National interest in the 1970 elections will center on a score of Senate contests and scores of House races, all expected to be close.

Veteran political observers are generally agreed on the states and districts that will have the tightest races and that will form the key battlegrounds in the fight for control of the Ninety-Second Congress.

As Election Day approaches, the campaign is warming up, with Republicans going all out in hopes of winning the seven Senate and 30 House seats that would give them that control. Democrats are fighting equally hard to hold onto their majorities.

The following list spotlights the states and districts where the Congressional contests are expected to be the closest.

Where incumbents are involved, there also are shown the ratings given their voting records by three organizations that keep close tabs on Congress—Americans for Constitutional Action, Americans for Democratic Action and the Committee on Political Education (COPE), which is the legislative arm of the AFL-CIO.

Each organization evaluates members of Congress on the basis of votes on specific issues, with a maximum grade of 100. ACA, for example, maintains a close watch on issues involving economy and government interference with individual freedoms. ADA advocates a wide range of liberal causes, while COPE's chief concerns include bills to advance the cause of organized labor.

(The listing is alphabetic, by states. Incumbents are designated by an asterisk. Several current members of the House seek election to the Senate.)

SENATE

STATE	CANDIDATES	ACA	ADA	COPE
Alaska	*Sen. Theodore F. Stevens (R)	17	28	56
	State Rep. Wendell P. Kay (D)			
California	*Sen. George Murphy (R)	81	11	18
	Rep. John V. Tunney (D)	9	80	91
Connecticut	*Sen. Thomas J. Dodd (Ind.)	21	56	88
	Rep. Lowell P. Weicker Jr. (R)	41	40	70
	Rev. Joseph Duffey (D)	(Mr. Duffey is ADA national chairman.)		
Delaware	Rep. William V. Roth Jr. (R)	82	7	18
	Jacob W. Zimmerman (D)			
Florida	Rep. William C. Cramer (R)	88	0	6
	C. Farris Bryant (D)			
Illinois	*Sen. Ralph T. Smith (R)	57	29	50
	Adlai E. Stevenson III (D)			
Indiana	*Sen. Vance Hartke (D)	17	100	90
	Rep. Richard L. Roudebush (R)	94	7	7
Michigan	*Sen. Philip A. Hart (D)	1	100	100
	Mrs. George Romney (R)			
Minnesota	Hubert H. Humphrey (D)	1	99	100
	Rep. Clark MacGregor (R)	70	27	25
New Jersey	*Sen. Harrison A. Williams Jr. (D)	5	94	99
	Nelson G. Gross (R)			
New Mexico	*Joseph M. Montoya (D)	10	72	93
	Anderson Carter (R)			
New York	*Sen. Charles E. Goodell (R)	10	83	21
	Rep. Richard L. Ottinger (D)	22	100	94
	James L. Buckley (Conservative)			
North Dakota	*Sen. Quentin N. Burdick (D)	17	83	94
	Rep. Thomas S. Kleppe (R)	82	7	22
Ohio	Rep. Robert A. Taft Jr. (R)	66	33	36
	Howard M. Metzenbaum (D)			
Tennessee	*Sen. Albert Gore (D)	20	61	78
	Rep. William E. Brock III (R)	89	7	7
Texas	Rep. George Bush (R)	78	7	5
	Lloyd M. Bentsen (D)			
Utah	*Sen. Frank E. Moss (D)	8	83	93
	Rep. Laurence J. Burton (R)	83	0	14
Vermont	*Sen. Winston L. Prouty (R)	52	39	46
	Philip H. Hoff (D)			
Virginia	*Sen. Harry F. Byrd Jr. (Ind.)	81	11	11
	George C. Rawlings Jr. (D)			
	State Del. Ray L. Garland (R)			
Wyoming	*Sen. Gale W. McGee (D)	4	39	86
	Rep. John S. Wold (R)	69	7	22

HOUSE OF REPRESENTATIVES

(Ratings are given only for incumbents seeking re-election.)

STATE	CANDIDATES	ACA	ADA	COPE
California				
Dist. 3	John E. Moss (D)	2	87	99
Dist. 15	John J. McFall (D)	3	53	98
Dist. 17	Glenn M. Anderson (D)	18	87	100
Dist. 28	Alphonzo Bell (R)	61	20	30
Dist. 34	Richard T. Hanna (D)	5	54	93
Colorado				
Dist. 3	Frank E. Evans (D)	11	80	91
Dist. 4	Wayne N. Aspinall (D)	11	13	80
Florida				
Dist. 4	Bill Chappell Jr. (D)	93	7	10
Dist. 7	James A. Haley (D)	93	7	10
Idaho				
Dist. 1	James A. McClure (R)	91	7	10
Dist. 2	Orval Hansen (R)	35	7	60
Illinois				
Dist. 21	Kenneth J. Gray (D)	10	47	89
Dist. 23	George E. Shipley (D)	25	40	89
Indiana				
Dist. 2	Earl F. Landgrebe (R)	88	0	0
Dist. 3	John Brademas (D)	4	73	100
Dist. 4	E. Ross Adair (R)	89	13	13
Dist. 8	Roger H. Zion (R)	88	7	24
Dist. 9	Lee H. Hamilton (D)	19	53	83
Dist. 10	David W. Dennis (R)	81	0	10
Dist. 11	Andrew Jacobs Jr. (D)	6	80	100
Iowa				
Dist. 1	Fred Schwengel (R)	65	40	39
Dist. 4	John Kyl (R)	88	13	18
Kansas				
Dist. 1	Keith G. Sebelius (R)	86	0	11
Dist. 3	Larry Winn Jr. (R)	84	0	13
Louisiana				
Dist. 2	Hale Boggs (D)	7	27	79
Maryland				
Dist. 5	Lawrence J. Hogan (R)	65	20	30
Massachusetts				
Dist. 6	Michael Harrington (D)	22	100	100
Dist. 12	Hastings Keith (R)	63	33	31
Michigan				
Dist. 2	Marvin L. Esch (R)	44	53	50
Minnesota				
Dist. 5	Donald M. Fraser (D)	2	100	98
Dist. 6	John M. Zwach (R)	72	20	46
Dist. 7	Odin Langen (R)	87	0	6
Missouri				
Dist. 2	James W. Symington (D)	7	73	100
Dist. 6	W. R. Hull Jr. (D)	60	13	42
Dist. 10	Bill D. Burlison (D)	41	53	70
Montana				
Dist. 1	Arnold Olsen (D)	7	73	95
Dist. 2	John Melcher (D)	29	78	75

STATE	CANDIDATES	ACA	ADA	COPE
Nebraska				
Dist. 1	Robert V. Denney (R)	92	0	5
New Jersey				
Dist. 3	James J. Howard (D)	5	80	97
Dist. 4	Frank Thompson Jr. (D)	5	93	100
Dist. 8	Robert A. Roe (D)	29	75	100
Dist. 9	Henry Helstoski (D)	6	93	100
New Mexico				
Dist. 1	Manuel Lujan Jr. (R)	76	13	44
Dist. 2	Ed Foreman (R)	96	7	10
New York				
Dist. 3	Lester L. Wolff (D)	24	80	89
Dist. 5	Allard K. Lowenstein (D)	20	100	100
Dist. 16	John M. Murphy (D)	4	43	98
Dist. 17	Edward I. Koch (D)	18	100	100
Dist. 22	James H. Scheuer (D)	7	100	100
Dist. 27	Martin B. McKneally (R)	38	20	60
Dist. 28	Hamilton Fish Jr. (R)	29	33	80
Dist. 29	Daniel E. Button (R)	30	73	87
	Samuel S. Stratton (D)	24	40	88
	(Incumbents opposing each other because of redistricting.)			
Dist. 35	James M. Hanley (D)	8	67	97
Dist. 39	Richard D. McCarthy (Ind.)	11	100	86
North Carolina				
Dist. 3	David N. Henderson (D)	64	7	24
Dist. 4	Nick Galifianakis (D)	56	7	39
Dist. 6	Richardson Preyer (D)	25	27	60
Dist. 7	Alton A. Lennon (D)	78	7	13
Dist. 8	Earl B. Ruth (R)	82	0	0
Dist. 10	James T. Broyhill (R)	90	0	6
Dist. 11	Roy A. Taylor (D)	64	13	24
Ohio				
Dist. 22	Charles A. Vanik (D)	12	87	97
Dist. 23	William E. Minshall (R)	87	7	13
Oklahoma				
Dist. 2	Ed Edmondson (D)	8	33	84
Dist. 4	Tom Steed (D)	27	13	67
Pennsylvania				
Dist. 19	George A. Goodling (R)	91	0	5
Utah				
Dist. 2	Sherman P. Lloyd (R)	77	13	12
Virginia				
Dist. 2	G. William Whitehurst (R)	67	7	30
Dist. 3	David E. Satterfield III (D)	89	0	6
Washington				
Dist. 3	Julia B. Hansen (D)	64	67	98
Wisconsin				
Dist. 1	Henry C. Schadeberg (R)	94	13	16
Dist. 7	David R. Obey (D)	20	92	100

ACA ratings for Senators are cumulative since 1955 and, for Representatives, since 1957. COPE ratings are cumulative since 1947. The figures shown for both organizations go through the first session (1969) of the Ninety-first Congress.

ADA ratings are based on votes cast on specific bills in 1969. END

BUSINESS A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

CREDIT AND FINANCE

A photo identification system is one of the newest wrinkles in the fight against fraudulent use of those handy plastic rectangles, the credit cards. Credit card thieves may have to be masters of disguise to profit if the system is widely adopted.

The photo system is similar to those used by the armed forces, other government agencies and industrial corporations for security. Five states also use the system for driver's licenses. Now banks are starting to install it.

Printed information and the customer's picture, in color, are reproduced on a single sheet of film. The photo card is then laminated with a special plastic that bonds chemicals to film. Any attempt to remove the plastic noticeably damages the card, says Bankers Trust Co. of New York, which installed the system on Sept. 14.

MANUFACTURING

Everything seems to be rising, including disability rates.

One of the nation's largest insurance companies reported an 8 per cent rise in 1969 among its own employees, which it notes "is in general agreement" with the experience of other large employers

The Health Insurance Institute reports the company's rate for disabilities that lasted longer than eight days was 141 per 1,000 employees in 1969, compared with 131 the previous year.

For all causes, the rate among women was 214, compared to 93 for men. Eighty-four per cent of the women and 77 per cent of the men were disabled due to disease.

The U. S. pharmaceutical industry is helping to improve health and thus increase productivity with a $600 million research and development program this year. Only 2 per cent of it is government funded. A 10 per cent increase is predicted for next year.

In the last decade the R&D expenditure rate has increased 50 per cent faster than sales for some 1,300 firms manufacturing medicines. It's 15 times more than it was in 1950.

The Pharmaceutical Manufacturers Association says a $7 billion expansion in national output last year was a result of improved treatment and new medicines for four major diseases—tuberculosis, influenza, pneumonia and syphilis.

MARKETING

New looks and new uses of packaging materials are coming.

The corrugated cardboard box is going to appear in a wild array of colors, for one thing, as fiber box manufacturers shoot for a $4.5 billion market in 1975.

Emphasis now is on being "packaging marketers rather than commodity suppliers," according to the Fibre Box Association.

Focus is on design and technology for various packaging needs during the life cycle of a product.

Record production last year reached more than 180 billion square feet of fiberboard, a 7.4 per cent increase. Also expanding is demand for heavy duty plastic shipping bags —some 145 million will be produced this year compared to 126 million in 1969.

Potential new multimillion bag markets are in starch and grain packaging and in packaging of lawn and garden supplies. New technology is producing tougher bags suitable for shipping rough-edged, granular, hot or oily materials.

AGRICULTURE

The export market for feed grains could grow and grow.

Reason is the rising affluence of the European Community and Japan. As incomes climb, so will demand for meat, says Andrew J. Mair, deputy assistant secretary of agriculture.

This means expanded market possibilities for feed grains. The United States exported 19 million metric tons last year. Japan imported 6.5 million tons, one of the factors that made it our first billion dollar agricultural customer.

But European Community imports dropped 1.2 million tons during the same period to 4.7 million tons, primarily due to protectionist levies.

On a per capita basis, Americans consumed 228 pounds of meat and poultry last year. By contrast, in the European Community the figure was 128 pounds and in Japan, 25 pounds. Americans ate 114.1 pounds of beef during this period, nearly all of the national output. To meet this demand, producers fed 29 million metric tons of feed grain to cattle, up from 19 million tons in 1960.

A growing appetite in Europe and Japan for beef could have a significant impact on feed grain production. The potential worldwide market for U. S. farmers is 24-25 million metric tons by 1980. This U. S. Department of Agriculture estimate is based on an average annual market growth of 3.7 per cent.

Big problem to overcome is barriers to free trade, such as variable levies imposed by the European Community. Despite this, U. S. agricultural exports were $6.6 billion last year, a 16 per cent increase, and the third highest total on record.

CONSTRUCTION

While still struggling to get the depressed housing market moving toward a goal of 2.6 million units annually, the construction industry begins consideration of another long-range problem—the metric system.

Britain is blueprinting the process of conversion to the metric system and the progress of the system there is being watched closely by U. S. builders. Design of new construction in metric units began in Britain in 1969; production of materials to metric measurement began this year and the change-over should be completed by 1973, at the latest.

U. S. builders will explore the idea at the National Metric Study Conference on Construction which is to be held Oct. 5-6 in Washington by the National Bureau of Standards.

Out of this session will come facts on potential costs and benefits for the industry. The results will form the basis of a report Commerce Secretary Maurice Stans is required by law to make to Congress in 1971.

British officials say in effect: "Come on in, the water is fine," but confirm that one of the biggest problems is retraining the labor force, a view shared by U. S. experts.

NATURAL RESOURCES

DDT and other persistent pesticides are archvillains to ecologists. But they haven't been replaced yet with suitable substitutes for a number of uses, such as control of malaria mosquitoes and bollworms.

While wishing seldom makes anything go away, research often can. Industry and government are now taking a page from television by developing self-destruct pesticides.

Du Pont is producing Lannate, a methomyl insecticide which disappears rapidly from the environment after providing practical insect control.

Aerojet-General Corp., under a Department of Interior contract, is lab and soil testing a "controlled-destruct DDT." Scientists find that DDT can be made to detoxify in a matter of days. Development and testing in this type of program usually takes five to seven years to complete at a cost of $3 to $6 million, an Interior Department official advises. Since patents on DDT have expired, federal funding of research this costly is almost a must.

The Department of Agriculture is also active in seeking new solutions. USDA's Agricultural Research Service has contracted with Austin Research Institute, Inc., of Austin, Texas, for further research on chemicals with controllable rates of release.

USDA scientists say they should reduce the rate of application, volatility, drift and residues. Objective is to limit possible soil, air and water pollution.

EDITORIAL IT'S HIS JOB

When businessmen ask their Congressman to stop spending so much, they get turned away when he answers:

"Tell me where to cut."

Right now Congress is on a monumental spending spree. We should demand a slowdown.

And we shouldn't be turned away by, "Tell me where to cut."

Maybe we should answer: "That's your job. That's what we pay you $42,500 a year to do."

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